Mapping progress: evidence for a new development outlook

This report is based on the ‘Progress in Development: A Library of Stories’ project, funded by the Bill & Melinda Gates Foundation. The findings and conclusions contained within are those of the authors and do not necessarily reflect positions or policies of the Bill & Melinda Gates Foundation.

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Acronyms

ADB  Asian Development Bank
AIDS  Acquired Immune Deficiency Syndrome
BAAC  Bank for Agriculture and Agricultural Cooperatives (Thailand)
CBNRM  Community-Based Natural Resource Management
COCOBOD  Cocoa Marketing Board (Ghana)
EPLF  Eritrean People's Liberation Front
EU  European Union
FDI  Foreign Direct Investment
GDP  Gross Domestic Product
HIV  Human Immunodeficiency Virus
ICT  Information and Communication Technology
IMF  International Monetary Fund
MDG  Millennium Development Goal
MGDS  Malawi Growth and Development Strategy
MGNREGA  Mahatma Gandhi National Rural Employment Guarantee Act (India)
NGO  Non-Governmental Organisation
ONEA  National Office for Water and Sanitation (Burkina Faso)
Sida  Swedish International Development Cooperation Agency
SWAp  Sector-Wide Approach
UN  United Nations
UNICEF  United Nations Children's Fund
US  United States
USAID  US Agency for International Development
WFP  World Food Programme
Acknowledgements

This report has been prepared by a core team led by Liesbet Steer and comprising Jakob Engel, Alasdair McWilliam and Milo Vandemoortele. Matt Hawkins provided invaluable research support. Alison Evans, Director of ODI, provided project oversight.

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The core team would like to thank the authors of the progress stories that were the basis for this report. The authors would also like to acknowledge comments on earlier drafts from the project’s external review panel members, including Nisha Agrawal, Paul Isenman, Frannie Leautier, Oliver Babson, Kevin Watkins and Alan Winters, as well as ODI colleagues Dan Harris, Anna McCord, Peter Newborne and Andrew Shepherd. Thank you to Roo Griffiths for her editorial support. All comments should be directed to Liesbet Steer (l.steer.ra@odi.org.uk).

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The past two decades have delivered unprecedented progress and improvements in quality of life across the developing world. Poverty has fallen in most developing countries, and the number of low-income countries fell from 60 in 2003 to just 39 in 2009.\(^1\) Countries such as India and (particularly) China have managed to lift very large numbers of people out of extreme poverty. Progress has not been restricted to increases in income; many developing countries have also dramatically improved their access to vital services, such as education and health (ODI, 2010).

This report grew out of a conviction that it is important to highlight progress made, in particular at a time where global issues such as the economic crisis, the food crisis and the threat of climate change present challenges to what has been accomplished. The stories defy the narrative of pessimism that often shapes popular perceptions of development, and provide a basis for cross-country learning and benchmarking.

The report summarises evidence of progress and how it was achieved in 24 developing countries. The cases, or ‘stories,’ showcase progress across a range of sectors, representing broad dimensions of wellbeing. They were selected from an initial long list of more than 100 progress cases. Criteria for selection included the scale of achievement, how widely benefits were shared, how sustainable the results were and how difficult the context was. The stories focus on progress rather than success, in recognition of development as a journey. Particular attention is given to countries that have emerged from a low base and may not be considered ‘successes’ in a conventional sense, as well as those that have not yet achieved wide recognition and may be surprising to some audiences.

### The many faces of progress

The stories all illustrate remarkable progress but also show that progress comes in many shapes and forms. Some countries have made remarkable progress from a very low base but are still some distance from achieving their development goals. Others are further along and on track to meet global targets. In some countries, progress is broad and spread across various sectors; in others, it is limited to particular development sectors. Finally, progress does not necessarily benefit all people equally. Some countries have been more successful than others in making improvements in wellbeing across the population.

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\(^1\) In its most recent (2009) classifications, the World Bank defined a country ‘low-income’ if it had gross national income per capita below $995.
Development Progress Stories  Mapping progress: evidence for a new development outlook

The report divides countries into four categories (see the below table):

- The **stars** – progress stories that stand out by any definition: improvements are broad-based and have been sustained over a long period of time;
- The **potentials** – cases where progress is rapidly gaining momentum, but it is not yet certain this will be sustained;
- The **surprises** – stories of little-known progress against the odds, in countries emerging from conflict or with deeply challenging geographic and cultural contexts;
- The **conundrums** – countries showing strong progress in some programmes and sectors but which have not (yet) had the positive impact on poverty at the aggregate level that might be expected.

These categories are not meant to be mutually exclusive (some countries could easily fit into two or more categories), but are used to illustrate the variety in the progress cases examined.

<table>
<thead>
<tr>
<th>Stars</th>
<th>Surprises</th>
<th>Potentials</th>
<th>Conundrums</th>
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<tbody>
<tr>
<td>Bangladesh (health)</td>
<td>Cambodia (education)</td>
<td>Benin (education)</td>
<td>Egypt (agriculture)</td>
</tr>
<tr>
<td>Bhutan (environmental conditions)</td>
<td>El Salvador (governance)</td>
<td>Burkina Faso (water and sanitation)</td>
<td>India (social protection)</td>
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<tr>
<td>Brazil (social protection)</td>
<td>Eritrea (health)</td>
<td>Indonesia (governance)</td>
<td>South Africa (social protection)</td>
</tr>
<tr>
<td>Costa Rica (environmental conditions)</td>
<td>Ethiopia (education)</td>
<td>Malawi (economic conditions)</td>
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<tr>
<td>Ghana (agriculture)</td>
<td>Laos (water and sanitation)</td>
<td>Namibia (environmental conditions)</td>
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<td>Mauritius (economic conditions)</td>
<td>Rwanda (health)</td>
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<td>Thailand (agriculture)</td>
<td>Somaliland (governance)</td>
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<tr>
<td>Uganda (water and sanitation)</td>
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<tr>
<td>Vietnam (economic conditions)</td>
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</table>
What has driven progress?

The cases highlight a number of interrelated factors that have driven progress. These factors were derived from research of existing literature, interviews with key actors and, in some cases, country visits. The analysis does not aim to establish causality or a recipe for success, but rather offers a number of examples and ingredients for progress that can be considered and adapted to local contexts.

Four factors seem to be particularly important. They include:

**Smart leadership**

Progress has been enhanced by smart leadership. This can manifest itself in expected and unexpected ways – embodied by leaders at the top or the bottom of the political spectrum. For example, political leadership was instrumental to improved agricultural performance in Ghana, bureaucratic leadership to rural water reform in Laos and civil society leadership to social security improvements in India.

Leadership was found to be particularly important in pushing through challenging reforms, in promoting national cohesion, in protecting public goods and in facilitating local initiatives and entrepreneurship. National leaders have encouraged local experimentation, while leaders of local and grassroots organisations, empowered by the space created by national leadership, have developed innovative solutions to development challenges.

Good leadership is not determined only by inherent charisma or goodwill on the part of individuals. Leaders are rarely transformational on their own. The effectiveness of good leaders is also influenced heavily by their responsiveness to the changing needs and priorities of the population, by their pragmatism and by institutions supporting their vision. These ingredients enable them to create policy continuity and coherence for a sustained period of time, including after their departure.

The ability of leaders to rule effectively for sustained periods benefits significantly from processes of consultation and cooperation that take account of the varied needs and views represented. At a national level, electoral democracies in India and Mauritius, for example, played an important role in holding the leadership to account in delivering on its promises to improve conditions for the poor. Extensive consultations among the population and delegation of authority to lower levels of government and organisations were also instrumental in the ability of leaders to forge change.

Many effective leaders have responded pragmatically to the hands they were dealt, adapting imported and home-grown policy solutions to function within specific national contexts and political environments. In some cases, this has involved building on traditional power relations such as local elders or clans, such as in Rwanda’s post-conflict context.
Smart policies

All progress stories are built on a set of good government policies. They reflect a set of long-term policy principles, which include sound macroeconomic management, an increasingly competitive market environment and investment in education, health and infrastructure. Policies that address inequities have been particularly successful at both improving living conditions and relieving social tensions, thereby creating the space for further progress. However, the stories confirm that, despite common principles, policies tailored to the national context and to a country’s strengths are most effective.

Progress has involved a changing role for government, from controlling (markets and prices) to facilitating and enabling (investment and production), and, in the best cases, empowering poor citizens. Improvements in the business environment are particularly important to unleash entrepreneurial potential, although governments’ pace in and approach to enabling and liberalising private enterprise have differed substantially. Progress stories in Vietnam, Mauritius and Thailand illustrate how different approaches can be effective in different national contexts.

At the same time, governments have also needed to step in to correct market failures and provide public goods. Improvements in transportation and irrigation in Ghana and Egypt were critical to agricultural progress. Public investments in agricultural research and central bank interventions in credit markets to facilitate lending to smallholder farmers were instrumental to progress in Thailand. Finding the right balance between enabling market forces and providing public goods can be challenging, however. Costa Rica’s natural resource management and Namibia’s wildlife conservation show clearly how economic incentives can be combined with environmental protection.

Progress in education, health and water supply depends on addressing demand- as well as supply-side constraints. Successful education reforms have involved training teachers and constructing new schools, but also policies to reduce financial barriers and encourage school participation, such as scholarships, school feeding programmes and the elimination of school fees. Policies have also focused on changing attitudes. In collaboration with civil society, both Ethiopia and Benin have launched successful campaigns to encourage more parents to send their children, and especially girls, to school.

Effective policies learn from citizen engagement. Importantly, such policies are often generated from pilot programmes, with citizens engaged in their formulation. Grassroots solutions were critical to progress in education in Ethiopia (local language instruction) and in health provision in Eritrea (engagement of teachers). Local policy experimentation, or ‘fence breaking,’ was also important in introducing new directions in reform in Vietnam. Policies that focus on the breadth of the population and that are inclusive of women, ethnic minorities and marginalised groups were also found to be instrumental to progress. For example, the empowerment of women and girls in Bangladesh and Benin is likely to have contributed to improved human development outcomes. Finally, effective policies persist during political and economic shocks. Sustainability is enhanced when effective policies are supported by governments as well as citizens, civil society and the international community.
Smart institutions

The quality and capacity of institutions often separates success from failure, and can determine to what extent the state can act in ways that benefit the general population. Effective institutions are both a means and an end of progress. They can contribute directly to human wellbeing by providing political voice and participation, but they are also important drivers of other economic and social development outcomes. The institutional structures needed for development are complex and highly context-specific, and this report does not aim to be comprehensive in analysing them. However, the progress stories suggest that strengthening the institutional framework in three key areas has been particularly important in driving progress.

First, in many case study countries, progress has been achieved through reforms that have established more effective and responsive systems of local and national governance. In particular, decentralisation reforms have led to improvements in service delivery and enabled more effective revenue collection and management of public finances. Effective decentralisation of governance has contributed to Uganda’s improvements in rural water provision, Namibia’s progress in environmental conservation and Ethiopia’s education outcomes. Decentralisation reforms have been most likely to enable progress when they have been accompanied by a clear framework on taxation, revenue sharing and redistribution; extensive capacity-building programmes; strong mechanisms to ensure accountability and transparency; increased popular participation; and strong leadership from the centre.

Second, progress has been enhanced through the establishment or reform of institutions that provide checks on power and combat corruption. In some cases, this has included reforms to ensure budget transparency and independent oversight. In others, it has involved reforms of the institutions to enforce laws or ensure security, as in Costa Rica, where newly created institutions were critical to the enforcement of new forest conservation legislation.

Finally, institutions created to offer a participatory role for citizens to deliver, monitor and improve the delivery of services have fostered progress. Volunteers and community workers have played an invaluable role in improving health outcomes in Bangladesh, Eritrea and Rwanda. Beyond their role in supporting government provision, grassroots organisations have also been an important source of innovation. Cambodian NGOs were instrumental in piloting scholarship programmes and the Child-Friendly School system, which was later scaled up through government and donor funds.

The cases demonstrate that the success of institutions is highly dependent on the development of their internal capacity; whether they have clear accountability and results frameworks associated with them; and if they promote voice, inclusion and greater choice. In many countries, new institutions have integrated traditional norms and values. Governance reforms in Somaliland were rooted firmly in traditional institutions, such as clan and kinship systems, ensuring their adoption and relatively wide acceptance.
Smart friends

Many countries that have made progress have worked effectively with the international community. The international community has rarely been the sole determinant of development progress, but smart partnerships have often played a catalytic role in terms of facilitation and support. Improvement in health outcomes in Bangladesh is one example of how effective partnerships between government, donor partners and local NGOs can support progress. While recognising its own limitations in health service delivery, the government has encouraged innovations and directed resources to where they are most needed.

International support has taken many forms, including financial and technical assistance; foreign direct investment; the transfer of technology, ideas and knowledge; multilateral rules and regulations; and international diplomacy. Significant external financial support has come from traditional donors but also through more unexpected sources, such as through remittances sent home by emigrants.

Besides financial assistance, the sharing of knowledge and ideas was found to be an important driver of progress. The stories illustrate the transformative power of technology and research, for example, in Ghana and Egypt, contributing to significant increases in agricultural productivity. In India, technology has enabled the implementation and monitoring of its social protection system. Knowledge and ideas have come from both Northern and Southern partners. For example, observed practices in other African countries influenced progress in environmental conservation in Namibia. Regional collaboration in relation to cassava was important in Ghana’s progress story.

The stories illuminate a number of conditions under which international support has made the biggest impact. Relationships between developing countries and donors have changed significantly over recent years, with countries increasingly taking ownership of their development agenda and donors supporting domestically determined outcomes with more coordinated and sustained aid.

International support has been most effective when the government has had a strong coordinating role and has linked donor support to coherent sectoral strategies, such as through sector-wide approaches. These strategies have been complemented by rigorous monitoring frameworks. In many successful cases, country-led development strategies (e.g. Malawi’s Growth and Development Strategy) have provided a basis for sustained and coordinated donor support aligned with national priorities.

The international aid architecture is changing rapidly, however, and a number of new actors, such as private foundations and non-traditional donors, have entered the arena, as have new innovative approaches. The case study countries are starting to explore these alternative sources of financing.
The way forward

The progress cases show that development progress is occurring, and has frequently been achieved in very challenging circumstances. This does not imply that the battle has been won, however. Many problems remain, and further efforts will be needed to sustain and broaden progress across space and time.

The 24 country experiences highlight a number of challenges that will need to be addressed moving forward. First, improvements in wellbeing will need to be deepened to ensure their sustainability over time. This involves further diversification of economies, as well as improving the quality and quantity of public services. Negative externalities to progress, such as environmental degradation and climate change, will need to be addressed more effectively. A second key challenge lies in the ability of countries to include all citizens in their progress. A third key challenge is human capacity: the skills base of officials in public and private institutions will need continued strengthening. Finally, countries will need to adjust to new realities, such as demographic shifts, urbanisation and natural resource scarcities.

While challenges remain, though, hundreds of millions of people across many countries have experienced considerable progress. And, as this report shows, it should be possible to sustain this progress with the right mix of smart leadership, policies, institutions and friends.
Introduction: the search for progress

In the past two decades, improvements in quality of life across the developing world have demonstrated that progress in development is not only possible but also frequent, and is happening on a large scale. This report gives examples of where progress has taken place and how, resulting from intensive research across 24 countries and 8 sectors. The analysis shows that progress can come in many forms and in even the most challenging contexts. Some of the stories in this report have been ongoing for two decades or more; others are more recent but have the potential to be sustained in the future.

The research underlying this report aimed to challenge a narrative of pessimism in the development sector, and to illustrate that, despite challenges, significant positive results have been seen. The stories illustrate how this has been achieved and provide a platform for cross-country learning and benchmarking. The research did not aim to establish causality, test counterfactual situations or be representative of development across the globe.

Progress as improvements in wellbeing

The meaning of progress in development differs across nations, cultures, natural environments and political and economic systems, as well as over time. Development as a concept is multifaceted, contested and rooted in context. However, debates have matured and converged over the years. Few, if any, would now argue that progress should be evaluated solely on the basis of gross domestic product (GDP) growth or other measures of production. Today, measures of poverty and of the distribution of wealth across society, as well as of health and education, are core components of major statistical indices, and have become institutionalised in the development discourse. Influenced by prominent thinkers such as Amartya Sen – for whom development is about ‘expanding the real freedoms that people enjoy’ (Sen, 1999) – there is increasing recognition of non-material measures of progress related to people’s and societies’ capabilities. Taken together, both material and non-material components of development address key aspects of human welfare (OECD, 2009). It is from this departure point that the progress stories were selected and documented.

Building on this idea that progress in development goes beyond the material realm to include non-material components, this report defines progress as: ‘A sustainable and equitable improvement in the dimensions of wellbeing, including material living standards, health, knowledge, environment, political voice and security.’

The various dimensions of wellbeing are not mutually exclusive but rather reinforce (or in some cases undermine) each other. Their relative importance is also context-specific, with some more important than others in some countries. Nevertheless, the dimensions selected here have been identified as key aspects of wellbeing that all countries and constituencies share.
In order to capture progress, the project identified stories across eight sectors, all directly linked to or impacting on the various dimensions of wellbeing listed above. The eight sectors are: Agriculture, Economic Conditions, Education, Environmental Conditions, Governance, Health, Social Protection and Water and Sanitation. Each dimension of wellbeing may relate to various sectors. For example, knowledge is related to progress in education but also to advances in governance, etc.

The stories were selected from among low- and middle-income countries using five general criteria and eight specific sector definitions of progress. They document progress that has taken place in recent history, predominantly between 1990 and 2010.

The general criteria include:

- **Scale**: Progress has taken place on a sufficient scale, benefiting significant proportions of the population. As such, the vast majority of the cases are at the national level.

- **Sustainability**: Progress has been, or is expected to be, sustained over time. This is more likely when it is owned locally, is resourced adequately and does not have considerable negative consequences for other social or environmental aspects of development.

- **Equity**: The benefits of development are shared widely and impact poorer and marginalised populations in particular.

- **Regional variation**: Stories were selected from around the world, with particular attention to sub-Saharan Africa. Countries were selected only once (for one sector) to ensure a diversity of examples.

- **An element of surprise**: An effort was made to include progress stories that have not achieved widespread recognition or that emerged ‘against the odds.’ More widely recognised stories, such as those of China, were not included. As such, some of the case studies might be unexpected for some audiences. They might not be considered ‘successes’ in a conventional sense, but instead have made significant progress from a low base in difficult circumstances, perhaps having recently emerged from conflict.

### Table 1: Sector definitions of progress

<table>
<thead>
<tr>
<th>Progress in...</th>
<th>Definition and measure of progress</th>
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<tbody>
<tr>
<td><strong>Agriculture</strong></td>
<td>Sustained increases in agricultural output and productivity that have contributed to improved food security and poverty reduction.</td>
</tr>
<tr>
<td><strong>Economic conditions</strong></td>
<td>Sustained periods of inclusive growth and reductions in income poverty in which both poor and non-poor people (i.e. middle-income earners) have contributed to and shared in the benefits.</td>
</tr>
<tr>
<td><strong>Education</strong></td>
<td>Sustained and equitable improvements in access to and quality of education at primary and/or secondary levels.</td>
</tr>
<tr>
<td><strong>Environmental conditions</strong></td>
<td>Sustained improvements in the enabling conditions contributing to the management and governance of the environment, and sustained and equitable improvements in people’s access to ecosystem services across four domains: atmosphere, land, water and biodiversity.</td>
</tr>
<tr>
<td><strong>Governance</strong></td>
<td>Sustained improvements in the functioning of rule-governed arrangements that provide incentives for the state to act in ways that promote the wellbeing of the population (poor and non-poor).</td>
</tr>
<tr>
<td><strong>Health</strong></td>
<td>Sustained and equitable improvements in access to, participation in and quality of health services leading to an improved state of physical, mental and social wellbeing.</td>
</tr>
<tr>
<td><strong>Social protection</strong></td>
<td>Vulnerability to shocks and stresses (such as production failures, hunger, chronic illness and age) reduced through social protection delivery.</td>
</tr>
<tr>
<td><strong>Water and sanitation</strong></td>
<td>Sustained and equitable improvements in coverage of, access to and quality of water and sanitation services.</td>
</tr>
</tbody>
</table>
Although the cases illustrate significant improvements, they are not intended to be representative of development across the globe or to be the last word on progress. This report simply demonstrates that, despite the often pessimistic narrative surrounding development, progress is happening.

Box 1: Development Progress Stories project approach

The Development Progress Stories project was carried out in three phases. In the first phase (October-December 2009), a methodological framework was developed. Definitions of progress were constructed based on a review of existing literature and interviews with key informants. For each dimension of progress, appropriate quantitative and qualitative indicators as well as sources of data were identified. The framework also included guidelines for the selection of progress stories as well as a literature review of drivers of progress.

Progress stories were selected in the second phase of the research (January-April 2010), which included extensive quantitative analysis of key indicators in the eight sectors. Each indicator was analysed using various progress measures, including absolute progress, relative progress and equity-adjusted progress measures. This analysis was complemented by qualitative data and a call for nominations through interviews with key informants. The analysis resulted in a long list of more than 100 country progress cases, from which 24 were selected.

The third phase of the project involved extensive desk review as well as some in-country studies of the 24 progress cases. The case studies included a review of progress achieved as well as an analysis of its drivers. Each case study is presented as an in-depth as well as a summary report.

All reports generated in various phases of the project are available at www.developmentprogress.org.

This documenting of progress fits in well with the Millennium Development Goals (MDGs), although its scope is broader, in terms of both the issues considered and the types of analysis conducted. While the MDGs provide a helpful quantitative framework for assessing broad-based progress in development, they do not in themselves adequately capture the distribution of progress across society, the sustainability of progress over time or subjective conceptions of progress itself.

Finally, it should be noted that the stories illustrate progress rather than success. The two should not be confused. Success implies that an optimal level of wellbeing and development has been reached. Development progress, on the other hand, signifies movement towards greater levels of wellbeing. Many of our case study countries have much left to achieve in the sectors considered, and indeed may be deficient in others. However, by undertaking a realistic assessment both of the impressive progress made to date as well as of the remaining challenges, we can learn broader policy lessons.
The stories of progress

A rich set of development progress cases has emerged, showing that progress comes in many shapes and forms and is often non-linear. Some countries progress slowly and steadily over a long time period; some progress more rapidly; others progress with starts and stops. To give some shape to this, we group the 24 stories into four categories: the ‘stars,’ the ‘surprises,’ the ‘potentials’ and the ‘conundrums.’ This is not a taxonomy for comparing progress more generally. For example, the stars are not the only countries in the world to have made impressive development progress; we refer to the 24 countries under consideration only.

The stars

Star countries have shown sustained progress for more than two decades. Progress has entailed diversification of products and services and improved value added. For example, Thailand experienced a successful transformation from an agrarian economy dependent on primary exports to an economy based largely on manufacturing and services.

Progress in the star countries is often broad, including improvements across multiple sectors at the same time. Vietnam combined impressive reductions in poverty (from 58% to 15% between 1993 and 2008) with improvements in human development. Under-five mortality, for example, declined from 56 to 14 deaths per 1,000 births between 1990 and 2008. Equally, agricultural progress in Thailand coincided with reductions in poverty as well as undernourishment and child deaths.
In some star countries, such as Vietnam, strong progress has come with rising inequalities – both in income terms and in human development (e.g. under-five mortality and prevalence of underweight among children). Disparities are widening between rural and urban regions, between the wealthy and the poor and between ethnic minority groups and the rest of the population. Other countries have managed to progress while improving equity. Mauritius has managed to grow rapidly while at the same time reducing income inequality. Similarly, Bangladesh has achieved dramatic reductions in child mortality, in particular in the poorest quintiles.

The star countries are at a more mature level of development and are facing new challenges (common in more developed countries), such as environmental degradation, ageing populations and non-communicable diseases.

The surprises

A number of stories exemplify progress that has emerged against the odds. Impressive improvements have been made in countries recently devastated by crisis and war (Cambodia, El Salvador, Eritrea); with ongoing conflict (Somaliland); with highly inaccessible topography (Laos); and with challenging political situations (Eritrea). These countries started from a very low base and demonstrate that even the deepest crises can generate moments of opportunity. It should be noted that, in some countries, the surprise lies in the speed at which they have recovered from a period of devastation and regained or even surpassed previous impressive levels of development.

Cambodia, for example, shows a remarkable comeback from devastating genocide under the Khmer Rouge regime (1975-1979) and years of instability, which resulted in the killing of up to a quarter of the population. In the process, its education system – once considered one of the region’s best – was destroyed. Schools were closed, universities were left to decay and members of the educated class were killed or fled. An estimated 75% of teachers, 96% of university students and 67% of all primary and secondary school pupils were killed or died of overwork under the Khmer Rouge (Benviste et al., 2008). Nevertheless, Cambodia is now moving towards universal primary enrolment while also making substantial strides in access to secondary education and in efforts to improve quality.

Similarly, by 1994, after four years of civil war and genocide, Rwanda was in a state of almost total collapse. Health infrastructure and human capital were almost completely destroyed, and thousands of people were injured or displaced. In a period of only 16 years, and despite poverty remaining extremely high (around 60% of people live below the poverty line), the country has made remarkable improvements in the health status of its population, particularly that of the most vulnerable segments of society. As a result of achievements in health, life expectancy has doubled and under-five mortality has declined by more than half, going from 219 to 103 per 1,000 live births (MoH et al., 2009).

Many stories of emergence from conflict involve successful transitions of power. Somaliland found an innovative solution to power sharing, combining traditional and modern approaches. Progress in governance involved a combination of ‘traditional’ elements derived from the Beel system and Sharia Law, and ‘modern’ governance institutions.
But seemingly insurmountable challenges also come in other forms. Progress in sanitation in rural areas in Laos is another surprising (and largely untold) story. This small, landlocked, rugged and largely subsistence-oriented country managed to improve its sanitation coverage from 18% in 1995 to 53% in 2008. This places the country second in terms of absolute progress and first in terms of relative progress (compared with the initial baseline) in the world.

### The potentials

The stories also include some examples of much more recent progress, illustrating how countries can make improvements rapidly over a limited period of time. While these countries have already achieved impressive results, the jury remains out as to whether this will be sustained over the longer term. Some of the surprise stories (Laos, Cambodia) can be classified in this group also.

Progress in this group is less stable and often lacks the diversification aspect present in more mature cases. Malawi, for example, has enjoyed seven years of uninterrupted growth, driven mainly by the agriculture sector, and increased maize production in particular. Improvements in urban water supply in Burkina Faso have so far been limited to the capital city, although plans for expansion to other areas are underway.

The potentials reflect improvements that may not have stabilised fully but that represent a great opportunity for sustained long-term progress. A somewhat more ambiguous picture emerges in these cases, in which improvements have not yet affected all regions, sectors, outcome indicators or wider development outcomes. The stories often involve, as one case highlights, three steps forward, two steps backward and one step sideways.

Governance improvements in Indonesia included comprehensive reforms in formal state institutions (electoral, parliamentary, financial, judicial, etc.) and devolution of power to local authorities. However, in practice, the expected benefits of many of these reforms have not yet materialised, and many challenges remain in terms of improving accountability and responsiveness as well as reducing corruption.

### The conundrums

A few stories illustrate impressive progress (agriculture in Egypt, social protection in South Africa and India), but the impact of this on strongly related areas, such as poverty and inequality, seems to have been more limited than expected. The conundrum cases are thus illustrations of best practice progress in terms of specific programmes and sectors, but which have not (yet) had the positive impact on poverty at the aggregate level that might have been expected.

Egyptian agriculture has grown rapidly, reaching 5% a year in the 1980s before settling at around 3.7% a year from 1991 to 2007. Productivity of both land and labour has improved, particularly in cereals (especially wheat), horticultural products and livestock. However, while rapid agricultural growth initially led to reductions in poverty, the link between agricultural growth and falling rural poverty broke during the 1990s. The reason for this is subject to debate, but is thought to include a decline in the importance of agriculture in the economy and in employment; limited potential to further intensify the sector; and limited development of services, manufacturing and the urban economy in Upper Egypt, where much of rural poverty is concentrated.
The impressive expansion of South Africa’s social protection system is recognised widely. Coverage of social grants has increased significantly, from just over 2 million beneficiaries in 1996/97 to almost 14 million in 2009/10. It is almost without peer in low- and middle-income countries in terms of its scale, and its sustainability is almost assured, given that it is financed domestically and enshrined constitutionally. What makes it somewhat of a conundrum is that, despite South Africa’s star performance in providing social protection, inequality has increased and poverty reduction has been limited, going from 56% in 1993 to 54% in 2008. Some observers have noted that the impact of the grants programme has been in relation to limiting further growth of poverty and addressing the depth of poverty (Leibbrandt et al., 2009). Nonetheless, South Africa has yet to achieve sustained and large-scale progress as experienced by the stars. Similar issues with the conversion rate of growth and social protection into wider advances in poverty and human development can also be found in India.

Drivers of progress

The case studies illustrate a number of factors that have been instrumental to progress. They do not provide a comprehensive picture of all drivers of change but rather highlight some key actions and processes that have played an important role. Subsequent chapters discuss these, as follows:

- Catalytic leadership (Chapter 1);
- Policies that work (Chapter 2);
- Institutional foundations (Chapter 3);
- International partners (Chapter 4).

Progress is not without challenges, however. While the discussion of drivers focuses on the positive aspects of these, it should be recognised that each story has outstanding challenges. The final chapter discusses these.
Box 2: The stories

**The stars**

**Bangladesh (Health):** Many key development indicators in the health and population sector have shown marked improvements. Infant and child mortality rates have reduced dramatically, immunisation coverage has rocketed and life expectancy has risen steadily.

**Bhutan (Environmental conditions):** Bhutan is a world leader in environmental conservation. It is one of the few countries where forest cover is increasing over time, with 38% of its total land area currently protected by law.

**Brazil (Social protection):** Provision of social assistance through cash transfers has grown significantly in Brazil, and now reaches over 25% of the population. This has led to impressive reductions in inequality and poverty.

**Costa Rica (Environmental conditions):** Between 1973 and 1989, Costa Rica had one of the highest deforestation rates in the world. As a result of a sustained commitment to reversing this decline and an innovative form of forest management, Costa Rica has increased forest cover greatly and protected large areas of its territory from exploitation.

**Ghana (Agriculture):** Following economic reforms in 1983, agricultural output in Ghana grew rapidly, at rates better than all but a handful of other countries in the world. Between 1993 and 2006, rural poverty fell from 64% to 40%.

**Mauritius (Economic conditions):** Mauritius is one of a select few countries to maintain growth steadily over a 30-year period, reduce income inequality and almost eliminate poverty. Its progress on human development has exceeded the sub-Saharan African, South and East Asian and Arab States averages, and is on par with Latin America and the Caribbean.

**Thailand (Agriculture):** Agricultural development and sustained productivity growth since 1960 has facilitated the country's transformation into an urbanised economy based around manufacturing. Rural poverty fell from more than 60% in the early 1960s to barely more than 10% in the new century.

**Uganda (Water and sanitation):** Following reforms and sustained investment in water infrastructure, Uganda increased the proportion of people in rural areas with access to an improved water source from 39% in 1990 to 64% in 2008.

**Vietnam (Economic conditions):** Between 1990 and 2008, Vietnam averaged annual growth rates above 7%. Alongside this, it reduced poverty from 60% to 15% of the population between 1993 and 2008.

**The conundrums**

**Egypt (Agriculture):** Egypt has experienced rapid agricultural and agricultural labour productivity growth. Over the past 25 years, the average annual agricultural growth rate has been 4.2%, making Egyptian agriculture the 16th-fastest-growing in the world over this period. However, recent progress is yet to translate into rural poverty reduction.

**India (Social protection):** India has the largest rights-based employment guarantee programme in the world, reaching over 40 million households. With a strong focus on the poorest and most excluded, the programme is contributing to reduced vulnerability to seasonal and household shocks, as well as improved food security and use of basic services. However, the conversion rate into wider advances in poverty and human development is as yet unclear.

**South Africa (Social protection):** Post-apartheid, South Africa has been very active in reforming and extending its social security provision. Since 2001, there has been a major extension of social grants, and expenditure is set to increase to 3.5% of GDP in 2010/11. However, impacts on poverty and inequality have remained relatively limited.

**The surprises**

**Cambodia (Education):** Cambodia has made substantial progress in re-establishing its primary and secondary education system after years of instability and civil war. The system is more inclusive, and the country could reach universal primary completion with gender parity in the coming decade.

**El Salvador (Governance):** Despite a long history of civil conflict, El Salvador has achieved significant progress in developing a system of governance that provides incentives for the state to act in ways that promote the wellbeing of the population in general, rather than merely that of an elite, through norms of non-violent political activity.

**Eritrea (Health):** Despite profound poverty, Eritrea is expected to achieve the MDGs in health in general and in child health in particular. Areas of achievement include infant and child mortality rates; immunisation coverage; malaria mortality and morbidity; and HIV prevalence.

**Ethiopia (Education):** Access to education in Ethiopia has improved significantly. Approximately 3 million pupils were in primary school in 1994/95. By 2008/09, primary enrolment had risen to 15.5 million – an increase of over 500%.

**Rwanda (Health):** In a period of just 16 years since the genocide and war of 1994, and despite extreme poverty, Rwanda has made remarkable improvements in the health status of its population, particularly for the most vulnerable segments of society.

**Somaliland (Governance):** In a case of blending the old and the new, Somaliland has achieved remarkable progress in governance. In a context of civil war and eventual state failure in Somalia, producing widespread dislocation, death and destruction, Somaliland has emerged as a territory increasingly capable of providing for its citizens.

**The potentials**

**Benin (Education):** Having had one of the world’s lowest primary school enrolment rates and greatest levels of gender disparity in 1990, today almost all Beninese boys and girls can gain initial access to school. There have also been substantial increases in the number of children graduating from primary school and enrolling in secondary school.

**Burkina Faso (Water and sanitation):** Despite rapid population growth in Ouagadougou, sustained investment in water infrastructure has more than doubled the number of persons with access to the water distribution network over a six-year period.

**Indonesia (Governance):** Indonesia has transformed itself since 1998 into a relatively open, stable and democratic nation, underpinned by a process of decentralisation as the centrepiece of a wide-ranging programme of institutional reforms.

**Laos (Water and sanitation):** Laos has made unsung progress in increasing access to improved sanitation in rural areas, from an extremely low base. Access to basic sanitation in rural areas rose from an estimated 10% in 1995 to 38% in 2008, which represents strong progress, even if there is still a long way to go.

**Malawi (Economic conditions):** Between 2003 and 2009, Malawi averaged 7% annual GDP growth – above the sub-Saharan African average. This progress has been paralleled with notable poverty reduction: nationally reported figures show a decline in the rate of poverty from 52% to 39% between 2004 and 2009.

**Namibia (Environmental conditions):** Namibia has created the enabling conditions to link economic incentives with environmental management and wildlife conservation. Currently, 15% of the country’s land is managed by community-run conservancies, halting the decline of wildlife populations.
Development Progress Stories  Mapping progress: evidence for a new development outlook
Chapter 1:
Reformers, nation builders and innovators – leadership as a catalyst

Leaders at all levels of society can use their position of power and influence to enable and accelerate progress when they are working within and supported by a conducive institutional environment.

Uganda’s water and sanitation sector reforms during the late 1990s demonstrate how leadership at multiple levels of government and among development partners can be integral to improving a dysfunctional system. In this case, top-level prioritisation of the water sector was seen as a means to address poverty, as President Museveni and his advisors pushed to integrate poverty reduction initiatives into government planning and budgeting processes more effectively. The Ministry of Finance, Planning and Economic Development, which was relatively insulated from day-to-day political pressures, supported the reform process by ensuring a greater allocation of resources.
Meanwhile, there was leadership from within the sector itself, through an early recognition of the need for reform and a change from the status quo. The Ministry of Water and the Environment produced sector reform proposals in partnership with donors, who were willing to take the still rather novel step of channelling aid through sector budget support. On an individual level, certain Ugandan long-term civil servants and technocrats – reform champions – contributed to sector progress over the years and led the planning and implementation of reforms. Decentralisation reforms and extensive training and capacity building at district levels helped local officials to carry out these policies.

As a result of effective leadership at multiple levels, Uganda achieved substantial improvements in the quality and capacity of national and local systems for rural water service delivery. Millions of Ugandans living in rural and remote areas now have improved access to clean water. Progress did not just depend on presidential priorities, but rather entailed individuals at various levels using their position of influence to catalyse change and work towards an agreed goal.²

The discussion in this chapter does not imply that such leadership has been entirely exemplary or consistent. Many of these stories are reminders that not all ‘good’ things go together. There is frequently a thin line between charismatic, effective leadership and an authoritarian regime that limits the basic freedoms of the population. Many leaders who have had commendable records in driving progress in some areas (e.g. in access to health and education) have also frequently been intolerant of dissent. Several progress stories have addressed these ambiguities.

**Effective and catalytic leadership**

Effective leadership manifests itself in expected and unexpected ways, and can have a catalytic effect – whether by unifying national leaders who create an impetus for others to implement policies and carry out programmes, or through individuals at local levels who are in turn empowered to take on leadership roles themselves within their local communities (Box 3).

**Box 3: Various levels of leadership**

**Political leadership**
Political leadership can be seen in the ability of policymakers and politicians to skilfully use their power to communicate a vision that they can realise through the mobilisation of supportive coalitions. Political leadership has played an important role in a large number of case study countries. It is hard to envisage achievements of such a scale in social security reform in Brazil, agricultural reform in Ghana and the reconstruction of post-conflict Rwanda without Presidents Lula, Rawlings and Kagame. However, such leadership is most effective in driving progress if it is supported by an institutional structure that can ensure proper implementation.

**Institutional and bureaucratic leadership**
Effective leadership within ministries and other public bodies has a large influence on the design and implementation of policies and programmes. This is often instrumental in developing creative and effective policies, in advancing their prioritisation within national strategies, in working with other non-governmental and civil society actors and in motivating staff to push through administrative reforms. The studies on Burkina Faso and Laos are particularly good examples of the role of government officials in institutional reforms in the water sector.

**Leadership by non-state actors**
Non-state actors are increasingly involved in public policy, in both the developed and the developing world. In Bangladesh, non-governmental organisations (NGOs) and private firms have played a significant role in the provision of health services. In a context of low government capacity, leadership from NGOs in the formulation and implementation of public policy has been instrumental in improving health outcomes. However, examples of civil leadership are not restricted to direct involvement in service provision, or to formal organisations for that matter. In India, a vibrant national civil society advocated for a national rural employment guarantee act and for furthering its effective implementation as a social security mechanism on behalf of the rural poor. The process involved a wide range of people, including academics, social movement activists and trade unions. Furthermore, at the local level, activists have played a key role in monitoring the employment guarantee by mobilising communities to partake in social audit processes.

² However, much as political backing coincided with a fortunate confluence of structural factors that enabled progress, a recent shift in support away from sector spending may limit further progress and affect the further implementation of reforms.
Leadership has been instrumental to progress in a number of circumstances:

- Implementing unpopular or difficult reform processes;
- Furthering social cohesion and national ownership;
- Providing public goods and promoting the rights of marginalised groups;
- Adapting policies and innovations to specific national conditions or contexts, even when this contradicts orthodoxies or conventional wisdoms.

Leadership as a driver of reform

There are numerous examples of effective sector reforms being driven by the country’s top-level leadership. In Ghana, the new government in 1981, headed by J.J. Rawlings, inherited an economy in decline. Benefiting from widespread popular dissatisfaction with previous regimes that had delivered neither services nor growth, had been unaccountable to the citizenry and had sought to line the pockets of their leaders, Rawlings followed the advice of his top economic advisors to initiate fundamental reforms to Ghana’s political and economic system. This was made possible in part because Rawlings was able to build a new support base among cocoa growers and rural populations, who gained from the reforms and appreciated public investments in roads and electricity.

Rawlings’ transformation of the agricultural economy and the country’s broader governance should not mask the fact that, until he stood for election in 1992, he ruled the country with a largely authoritarian grasp on power. While this undoubtedly facilitated the ease with which he could drive through reforms, another key factor in his success was that he surrounded himself with several highly competent advisors, whose reform ideas he was willing to champion. When he finally faced voters, enough progress had been made, particularly in rural areas, to guarantee his election, and re-election in 1996. The comprehensive agricultural reforms Rawlings initiated led to an average agricultural growth rate of 5.1% after 1983 – one of the five fastest anywhere in the world – as well as substantial increases in agricultural incomes and improved food security. The share of the population living in poverty fell from 52% in 1991/92 to 28.5% in 2004/06, with rural poverty falling from 64% to 40% over the same period.

Effective leadership at ministry level can also drive reforms. In Cambodia during the late 1990s, commitment at the top level in the Ministry of Education, Youth and Sports, and among certain development partners, was integral to rebuilding the education system, which had been effectively destroyed during the Khmer Rouge rule. The late Minister of Education, Tol Lah, worked with development partners to develop an ‘alternative development paradigm’ (ADB, 2003). This provided the impetus to move towards sector-wide planning and a more pro-poor policy framework – drawing in part on the innovative work of NGOs working in the sector. Key initiatives included the abolition of start-of-year school fees, extensive school construction and the initiation of programmes – such as secondary school scholarships – that addressed demand-side constraints to enrolment, especially among girls and the rural poor.
Finally, leadership also manifests itself in highly effective campaigns by civil society and NGOs. Indian civil society had an important role in the implementation of the rural employment guarantee, with the scheme proving most effective in states that had the largest civil society networks. In Benin, progress towards universal primary enrolment has been enhanced greatly by the continuous effort of a large number of international and national NGOs. These have engaged the population on the importance of education and responded to local socioeconomic and cultural concerns throughout the country that have constrained enrolment, especially of girls. In this regard, the government provided the framework, but the results were achieved in large measure through organisations that focused on what works best in the respective context. Civil society adapted to highly localised needs and worked effectively within traditional local governance structures.

**Furthering national cohesion and promoting ownership**

Leadership has in many cases been integral to processes of state building and to furthering social cohesion. Particularly in fragile and post-conflict contexts, effective and unifying leadership has been invaluable. Officially recognised as part of the war-torn state of Somalia, the former British protectorate of Somaliland has nevertheless achieved remarkable progress in governance. President Mohamed Haji Ibrahim Egal is seen as a transformational figure in Somaliland’s politics: under his leadership, the country has gradually been able to put in place basic bureaucratic structures of public administration capable of carrying out policy formulation and decision making as well as managing financial and human resources (Bertelsmann Stiftung, 2009; World Bank, 2006). Key to this has been his ability to leverage his relationship with business elites and senior elders and to form coalitions across clans to achieve development objectives.

Eritrea’s substantial improvements in the provision of health care were facilitated by the presence of strong leadership during the war of liberation, which motivated and mobilised the population behind a clear goal. The Eritrean People’s Liberation Front (EPLF) managed to generate a sense of communal belonging among a very diverse group of ethnicities and religions. While frequently employing repressive and heavy-handed methods to retain power, an important aspect of its sustained support was its focus on the provision of key social services, even during wartime.

Similarly, in post-genocide Rwanda, which has achieved vast improvements in health care, President Kagame’s leadership was instrumental to the restoration of security and stability, and in turn to the fostering of the strategies, policies and initiatives behind reforms implemented in the health sector. These were based on extensive assessments to determine bottlenecks in the provision of health services, had strong support from development partners and were carried out effectively by an increasingly decentralised local governance system. As such, presidential leadership was essential in driving the effective performance of other key actors in the sector.

Particularly noteworthy in all three of these post-conflict cases has been the manner in which newly ascendant leaders have shared power with traditional sources of authority (such as clan leaders and village chiefs). This has frequently entailed the creation of hybrid institutions, within which more decentralised institutional forms drawing on traditional structures have addressed emerging needs. Chapter 3 discusses this aspect in greater detail.
Promoting the provision of public goods and furthering equity

In many countries, leaders have used their position of influence and authority to protect public goods and further the rights and opportunities of the poor. For example, the prioritisation of natural resource conservation over short-term economic gain – particularly in recognition of the importance of these resources for rural populations – has been an important driver of environmental progress (Box 4).

**Box 4: Environmental leadership – prioritising conservation**

Leadership by a range of actors has been essential in innovative new forms of environmental protection in Bhutan, Costa Rica and Namibia. Through a strong commitment to preserving their natural heritage, these countries have managed to reverse the unsustainable exploitation of their natural resources, greatly expanding the proportion of officially protected land in recent years.

Leadership in Costa Rica has been demonstrated powerfully through the government’s ability to cooperate, compromise and partner with many different stakeholders. While support from the Costa Rican First Lady Karen Olsen de Figueres was crucial in establishing the country’s national parks system, cooperation and compromise among government agencies and domestic and international actors best characterises Costa Rica’s policy style. To a large extent, the government negotiated the creation of national parks with the private sector and relied on conservation organisations to help design and implement park policies. During the formation of Forest Law 7575, the government held consultations with different stakeholders, including universities, conservation organisations, private businesses, logging unions and smallholder organisations, helping ensure broad-based support for the law and its effective implementation. As a result of these policies, Costa Rica has reversed its deforestation rates (once among the highest in the world), greatly increasing forest cover and the size of its protected areas.

Similarly, the Namibian Ministry of Environment and Tourism worked closely with local government bodies, NGOs and rural communities to create a strong partnership to support its community-based natural resource management (CBNRM) programme. The government played a key role in initiating the process of policy reform and providing extension support to communities that wanted to establish a conservancy area. NGOs provided capacity building to these communities. By engaging directly with local rural communities, CBNRM legislation and practices were rooted deeply in experience at the grassroots level rather than simply being a product of theory of top-down government planning. This approach has led to the successful uptake of conservancies, which currently make up roughly 15% of the entire area of the country. Today, Namibia is an acknowledged pioneer in the sustainable management of wildlife, which Namibians now see as an economic asset to be managed, with 1 in 11 Namibians currently a conservancy member.

In Bhutan, the leadership of King Jigme Singye Wangchuck has been instrumental in directing national priorities towards environmental conservation. Preservation of the environment is a core pillar of Gross National Happiness, the unique measure of national development that King Jigme has made central to Bhutan’s national planning and its development strategy. Environmental concerns are currently mainstreamed into all national plans and policies. Instead of exploiting the country’s large timber resources for short-term profit, Bhutan recognises the importance of the natural environment to human wellbeing. Bhutan is one of the few countries where forest cover is increasing over time, with a total of 38% of its total land area currently protected by law.

The role of leadership in advancing policies that benefit the poor can also be seen at sub-national levels. The managing director of the National Office for Water and Sanitation (ONEA) in Burkina Faso provides an example of this. When ONEA was planning to extend services in the capital, Ouagadougou, the managing director broadened the scope of the company’s activities to include provision of water services to informal settlements, even though ONEA’s legal responsibilities applied only to ‘urbanised’ districts (i.e. those formally incorporated into city plans). This intent met some opposition from government and donors, but his viewpoint was that the population in the ‘un-urbanised’ areas was substantial and represented water demand to which ONEA should respond. As a state company, albeit one run according to commercial principles, ONEA also needed to address social needs. Thus, while ensuring that infrastructure was situated according to technical considerations, he also contributed substantially to making water more accessible and affordable for the poor.
In the case of Mauritius, successive leaders have taken important measures to protect vulnerable groups from shocks as the sugar and textiles sectors have declined. As their skills have not been directly transferable to other sectors in the economy, such as finance and information and communication technology (ICT), the government has provided them a stipend; six months of training and assistance in their job search to facilitate their integration back into the economy.

**Innovating, experimenting and adapting to local contexts**

Effective leaders have been willing to allow for innovation and for experimentation with unconventional policies and initiatives, even at the risk of countering established wisdoms. Malawi’s farming input subsidy programme has been driven largely by high-level support, following increasing frustration with failing, donor-led agricultural policies. Fertiliser became a strategic commodity to achieve food sufficiency and stabilise the economy (Kumwenda and Phiri, 2009; World Bank, 2009), thereby maintaining the regime’s credibility for re-election in 2009. While the programme has had a considerable fiscal cost, its positive impacts have included significant reductions in rural poverty, improved food security and substantially increased production.

In Ethiopia, the post-war government recognised the need for devolution of power to the regions as a means of giving more autonomy to ethnic groups. Central to this was the substantial flexibility regions received in education in terms of determining the language of instruction and the curriculum content – a policy that was heavily criticised at the time but that has been highly effective at improving education outcomes. A recent assessment of the outcomes of this shift found that the policy was ‘one of the best on the continent’ (Heugh et al., 2007).

Community and civil society organisations have been central to innovation and experimentation, particularly where they have had a significant service provision role, such as in Bangladesh, Benin and Cambodia, among others. In Bangladesh, the scale and presence of NGOs is overwhelming. They interact with at least a quarter of the population, engaging in a variety of services, including microcredit, essential health care, informal education, women’s empowerment and human rights advocacy (Katz, 2009). The Bangladeshi government, realising its limitations in delivering services for the entire population, has allowed NGOs to take a leading role in this regard. NGOs, for their part, have not wanted to limit their role, and are now being integrated fully into health care programming. Indeed, government policy is to encourage the involvement of NGOs and the private sector in all aspects of health care delivery, including formulation of policy, in spite of the inevitable strains in relations this brings about at times (Abbasi, 1999).
Ingredients for effective leadership

A number of key elements play an important role in the quality of leadership. Leaders have been most effective when 1) they have been supported by effective and sustainable implementation structures; 2) they have been accountable or at least responsive to the needs of the population; and 3) they have been pragmatic and willing to revise policies based on different evidence of what works. Chapter 3 explores other key institutional features to promote inclusive governance and policy coherence in greater detail.

Structures to ensure effective implementation and sustainability

The ideas and personal qualities of individual leaders are a necessary but never sufficient condition for progress. While leaders play a key role in facilitating and enabling inclusive consultations and providing coherent visions that inspire popular participation, effective administrative and technical support has been a key ingredient in the implementation of reforms in many of the progress stories.

In Rwanda, mechanisms to promote the capacity of local governments through decentralisation have substantially improved the implementation of health reforms. Likewise, in Ethiopia, substantial capacity development at all levels of administration and planning within the education sector has been instrumental to the progress achieved. In Cambodia, the development of sector planning and improved capacity have ensured that progress has been sustained (if not at the same pace) since the death of the initial reform champion, Minister of Education Tol Lah. Chapter 3 further discusses the development of supportive institutions.

Further, the effectiveness of leadership depends heavily on the manner in which leaders can create policy continuity and coherence for a sustained period of time and can take steps to ensure that this continues after their departure. This has arguably been the case in Brazil, where social protection reforms have been anchored constitutionally and have survived past Lula’s tenure.

Responsiveness to the changing needs and priorities of the population

Effective leaders have remained aware of and responsive to the needs of the population. Extensive processes of consultation that have taken account of the varied needs and views have allowed for greater participation in implementation and generally enabled a more coherent policy framework, one that depends less on day-to-day political dynamics.

Following the 1990 overthrow of the Kérékou dictatorship, Benin’s transitional government held extensive consultations among all involved in the education sector. This culminated in the Etats Generaux de l’Education, a nationwide education congress, in which the new government, teachers’ unions, students, professors, education specialists and administrators, parents, civil society and development partners, among many others, were able to agree on the need for a reform process and the development of a series of action plans.
In Costa Rica, forestry conservation efforts have been characterised by the government’s ability to compromise and engage with interested stakeholders. Cooperation between and among government agencies and domestic and international actors may be one of the key strengths allowing the country to achieve new and innovative forest policies, setting it apart from other developing tropical-forested nations.

The need for leaders to respond to the population is clearest in electoral democracies, where election processes require that leaders receive a popular mandate to govern on the basis of promises made during campaigns. However, even in single-party states, like Vietnam, which has a highly centralised decision-making structure, leaders have encouraged internal debate and policy innovation and have accepted a trial-and-error approach. Once a decision is made, though, full support is expected from all party members, with partial accountability arising from local governments and an educated and politically aware population.

Pragmatism and humility

A key ingredient of good leadership is pragmatism. Mauritius offers an example. At independence, the country did not appear predestined for the progress that followed. Challenges included: extreme cultural diversity as well as racial inequality; power concentrated in a small elite; high unemployment; and high population growth. The country was also remote from world markets and was commodity-dependent. Pragmatic leadership recognised that concrete improvements in people’s living standards combined with an ability to take advantage of market opportunities would help the country overcome these challenges. The government thus invested in and expanded free health and education services, as well as a non-contributory basic retirement pension and an extensive set of social security schemes. It also engaged in a concerted strategy of nation building, which was maintained in subsequent decades. The strategy involved partnership among the major ethnic groups, a negotiated economic redistribution, a better balance of economic and political power and the building of strong institutions. The sustained efforts and effective leadership of successive governments focused on overcoming Mauritius’ unique challenges have helped enable increases in per capita income together with significant progress on many critical human development indicators, namely, life expectancy, infant mortality and school enrolment.

Effective leaders have responded to the hands they have been dealt, adapting imported and home-grown policy solutions to function within specific national contexts and political environments. This is most evident in the relationships leaders have forged with traditional village elders or clans in countries like Rwanda and Somaliland. This pragmatism, and a willingness to recognise mistakes, is also evident in Bangladesh’s development and implementation of policies. As such, leaders (especially at central levels) who recognise their limitations are able to empower actors who can deliver services more effectively. For example, the Bangladeshi government has actively created a space for NGOs to work, flourish and embark on more activities, providing them with administrative and legislative support.

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3. This included a constitutional mandate for the inclusion of minorities; a system in the electoral process that ensures representation of ethnic groups, called the ‘best losers’ system, whereby an independent electoral commission appoints up to eight losing candidates to each new National Assembly to represent ‘underrepresented’ ethnic groups; an inclusive party system that does not have an ethnic basis; and a consultative approach to policy formation.
At the heart of most progress stories lies a turnaround in government policies, particularly in relation to managing the economy, providing critical public services and protecting the vulnerable and the environment. The cases illustrate that much has been learnt about what is most effective in particular sectors, with much ‘smarter’ policies emerging as a result. They also show that policies are most conducive to progress when they are formulated around a common goal, take advantage of innovative solutions, are sustained over time and are inclusive through investment in broad-based human development and effective social protection. This often requires building on existing political realities as well as local values and norms, or even going against internationally accepted wisdom.
Smart policies for progress

When Vietnam emerged in the late 1970s from decades of war and liberation struggles, the country was among the poorest in the world. The introduction of a set of ‘renovation’ policies, or Đổi Mới, set the country on a new development path. Vietnam moved from central planning towards market-oriented policies. Land and agricultural reform and careful trade liberalisation, combined with a renewed focus on health and education, produced impressive results. With average annual growth of 7%, Vietnam managed to reduce its poverty by more than two-thirds, from 58% to 15% between 1993 and 2008. Improvements in incomes have coincided with dramatic, albeit not always equitable, improvements in health outcomes. Under-five mortality declined from 56 to 14 deaths per 1,000 live births between 1990 and 2008, and prevalence of underweight children dropped from 45% to 20% between 1994 and 2006.

Our understanding of which policies are the most effective for progress has evolved over time. There is now broad agreement on the long-term principles that lie behind successful policymaking. Most progress stories entail sound macroeconomic management, an increasingly competitive market environment, heavy investment in key services (education, health, water and sanitation, infrastructure) and attention to environmental sustainability.4 There is also recognition that providing a general pro-poor enabling environment will not in itself address the needs of excluded groups (e.g. youth initially denied chances of education) and that targeted policies are also important. Further, there is now much wider agreement that the pace and sequencing of reforms depends on the circumstances of the country. A one-size-fits-all approach does not necessarily deliver the best results, while policies tailored to national context and strengths can produce powerful outcomes.

Broadly speaking, three types of policies can be distinguished: first, policies that create an enabling environment for progress, including sensible macroeconomic policies, interventions for pro-poor growth and investment in basic infrastructure; second, policies that empower people to take advantage of new opportunities, including access to land, infrastructure and demand-side interventions in health and education; and third, policies that target marginalised groups such as ethnic minorities or women.

Policies that create an enabling environment

In many stories, progress has involved a changing role for governments, from controlling (markets and prices) to facilitating and enabling (investment and production), making markets (both national and international) work better, particularly for poor people. This has included an increasing focus on stabilising the macro-economy and liberalising trade. In many countries, improvements in the business environment have unleashed entrepreneurial potential.

At independence, Ghana was the world’s leading cocoa producer, but production then declined during the late 1970s and early 1980s,5 owing to overvaluation of the Ghanaian cedi, high taxation of cocoa farmers and inefficiency of the monopolistic Cocoa Marketing Board (COCOBOD). In 1983, Ghana began comprehensive reforms to stabilise the macro-economy and to partially liberalise its cocoa sector, including the devaluation of the cedi and controlling inflation. This was joined by partial liberalisation of the cocoa marketing system (COCOBOD in particular),

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4. Rule of law, predictability of policies and low corruption are also important, and discussed in Chapters 1 and 3.
5. Production fell from about 400,000 tonnes in 1975 to 159,000 tonnes in 1983.
which allowed private licensed buying companies to compete with the state-owned produce buying company, and the removal of input subsidies. Overall, the reforms represented a remarkable change of direction for Ghana. Partial liberalisation of the sector allowed farmers to obtain a better share of the cocoa export price during the 1980s and 1990s, with the farmers’ share rising to 40% in 1995 and 50% by 2001 (AfDB, 2002, in Brooks et al., 2007). Given reduced inflation, real prices for producers have risen, roughly tripling from the low point in the early 1980s.

**The adoption of enabling economic policies has also had positive effects on other spheres of development.** Thus, for example, sound economic policies in **Costa Rica** provided the basis for sustained reforestation and forest conservation. Before the economic crisis in Latin America in the 1980s, Costa Rica’s agricultural policies focused on guaranteed prices, high subsidies and preferential interest rates. These incentives had led citizens to expand production to forested areas, destroying valuable forests in the process. Between 1973 and 1989, deforestation reached one of the highest rates in the world, at an average of 31,800 hectares per year. When the economic crisis hit, Costa Rica had to change its development model. Several structural adjustment loans from the World Bank enabled it to eliminate subsidies, favourable interest rates and price guarantees in agriculture (de Camino et al., 2000). Bank credit for cattle decreased, coinciding with a steep decline in the international price of meat and other commodities. These adjustments contributed significantly to the development of a competitive industrial sector and reduced deforestation in Costa Rica by limiting the role of cattle ranching as a prosperous economic activity.

**While gradually moving out of the way, governments have at the same time needed to step in to correct market failures and provide public goods.** For example, **Thailand**’s policies with regard to agricultural development greatly facilitated rural farmers’ access to credit, which had previously been difficult and expensive. From 1975, the Bank of Thailand instructed all banks to allocate a growing share of all commercial loans to agriculture, at an interest rate lower than the market rate. Penalties for banks that could not meet targets helped fund the Bank for Agriculture and Agricultural Cooperatives (BAAC), whose development was supported also by means of public and international funding. BAAC has subsequently expanded its provision of agricultural credit, reaching 90% of farm households and all farm cooperatives, using a group liability guarantee that enables small farmers to access short-term credit without using land titles as collateral. It is now almost entirely self-financed, which it has achieved by attracting savings accounts using its wide network, competitive rates and positive image. Investments in transportation and irrigation were similarly crucial to agricultural progress in **Thailand** and also **Ghana**. It should be noted that getting the right balance between interventionist and liberal policies, as well as the right sequence, is not straightforward – yet it is integral to achieving progress.

**The case studies show that the pace at which countries have moved towards a more enabling role varies substantially.** Many of the star performers have managed this transition carefully, ensuring infant industry benefits and opening up gradually to domestic and international competition. They have run heterodox and orthodox policies concurrently – liberalising some sectors or parts of the economy and maintaining control in others, which have subsequently been liberalised.

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6 Hubbard (2003) shows the chaos experienced by countries that have fully liberalised their cocoa markets.
Vietnam’s economic success was based on this two-track approach. While opening its economy to foreign investors and trade, the country maintained import monopolies and retained quantitative restrictions and high tariffs (30-50%) on agricultural and industrial imports (UNDP, 2003). Despite high trade barriers, it was able to integrate rapidly into the global economy. These strategies have been exceptionally successful – expanding trade at double-digit rates on an annual basis and attracting substantial foreign direct investment (FDI). Mauritius applied a similar combination of (milder) protectionist and export-oriented policies.

In addition, some countries have adopted ‘distortionary’ policies in a deliberate effort to steer the structure of production in a new direction. Thailand’s rice policy in the 1970s and 1980s illustrates this. During this period, agriculture was the country’s engine of growth, but exports were taxed heavily to raise the necessary resources to invest in other sectors of the economy. Rice was subjected to a fixed tax on exports, ad valorem duty, volume limits to exports and a requirement that exporters sell a share of rice at rates below the market price for every tonne of rice exported (Krongkaew, 1985). Exporters were further penalised by overvaluation of the baht. Although arguably inefficient in the short term, these policies proved important to economic transformation. In the 1980s in particular, the heavy taxation policy raised revenue for the state and kept the domestic price of rice low, thereby helping hold down labour costs. These policies contributed to Thailand’s successful industrial development.

It would be a mistake, however, to draw from specific policy examples a blueprint for others to follow. Each country context is different – in terms of government capacity, political setting and structural flexibility.

Policies that enable poor people to take advantage of new opportunities

Underpinning almost all progress stories have been broad-based human development policies that enable poor people to take advantage of new opportunities, such as strategies to get children into schools, provide health services to the poor or improve access to clean water and sanitation. Mauritius’ policies (including free education and health services, a non-contributory basic retirement pension and an extensive set of social security schemes) produced an educated and easily adaptable labour force, which was an essential input into its export-oriented strategy. Mauritians responded to opportunities in its export processing zone with vigour: according to one informant, around 90% of entrepreneurs in the zone and the manufacturing sector were Mauritian nationals. Businessmen and women had the human capital, the know-how and the education to exploit emerging market opportunities.

Enabling poor people to take advantage of opportunities requires policies that address both supply- and demand-side constraints.

Successful education programmes often have introduced policies to address demand for education, in addition to expanding the supply side (Box 5). For example, abolition of school fees alongside increased teacher training and school construction has helped Cambodia make remarkable progress in terms of re-establishing its primary and secondary education system in ways that are more inclusive.
Achieving the right balance between various supply- and demand-side reforms can be challenging, however. One of the objectives of the conditional cash transfer programme in Brazil is to encourage uptake of health and education services, not just to reduce income inequality. In this, Bolsa Familia shows that the right policy balance must be achieved. Research has found that Bolsa Familia children are more likely to fail to advance in school, attributable to the programme’s enrolling of more underachieving students. This suggests cash transfers must be complemented by policies that address other factors that influence education outcomes, such as child labour, gender inequities (Oliveira et al., 2007, in Soares and Silva, 2010) and parents’ education level and attitude. Moreover, Bolsa Familia does not seem to have impacted on the rate of child vaccinations, despite conditions attached to receiving them. This is likely caused by supply-side constraints (Soares and Silva, 2010), highlighting the importance of ensuring the supply and quality of services provided in tandem with cash transfers.

Policies that target highly excluded groups

While a pro-poor enabling environment can address the needs of many, targeting highly excluded groups in creative and innovative ways broadens progress. Improving facilities and even providing financial incentives to attend school, while essential, may not be enough to make the breakthrough required. Policies also need to change the attitudes that hinder development. In Benin, for example, scholarship programmes, mentorship and the prioritisation of girls when rolling out the abolishment of fees across the country were important in increasing female enrolment. But deep-seated

Box 5: Comprehensive approaches to education – addressing supply- and demand-side constraints

Ethiopia, Cambodia and Benin have expanded access to education rapidly by addressing both demand- and supply-side constraints. Increasing the demand for education has entailed a multi-pronged approach. All three countries have used information campaigns to stimulate demand, complemented by policies to reduce financial barriers, including:

• **Eliminating school fees**: Cambodia abolished school fees in 2000, leading to an almost threefold increase in primary enrolment in rural areas, as well as dramatic expansions in lower-secondary schooling. The rollback of fees has been more gradual in Ethiopia and Benin, but has nevertheless led to rapid growth. In Ethiopia, fee abolition in 1995/96 quickly led to a 23% increase in total enrolment and 29% growth in Grade 1 intake.

• **Scholarships**: In Cambodia, secondary school scholarships for the poor, piloted by local NGOs, have been an effective tool. Families of eligible girls have received conditional cash grants of around $45, increasing enrolment rates by as much as 50% for girls in the poorest two income deciles.

• **Cash transfers**: In Ethiopia, Productive Safety Net Programme cash transfers demonstrate the inter-linkages between separate social programmes and education outcomes. A cornerstone of the government’s food security strategy, the programme has been instrumental in improving child wellbeing by reducing total time spent on working, child care and household chores and increasing girls’ time spent studying.

• **School feeding**: Benin has rapidly expanded girls’ enrolment, targeting gender disparities in local communities through school feeding and adult literacy programmes as well as revenue-raising activities for parents.

Measures to increase the supply of schooling include:

• **School construction**: Cambodia has built over 6,600 primary and 1,500 secondary schools nationwide in less than 20 years. This has been instrumental in facilitating access to education – particularly in rural and remote areas where construction has been most intensive. In Ethiopia between 1996 and 2008, the number of primary schools in operation increased by over 140%, with more than 15,000 new primary schools in rural areas.

• **Teacher training and hiring**: In Cambodia, teacher hiring and training have surged. In Ethiopia, the number of schools and teachers has increased at a notably faster rate than enrolment.
socio-cultural beliefs were also a fundamental limiting factor in relation to promoting access for girls in a highly patriarchal society. The government, in partnerships with NGOs and international aid agencies, has worked on campaigns to encourage more parents to send their girls to school. The Enrol All Girls in School Campaign championed the cause of female education, helping raise awareness of the issue and of the opportunities the government was beginning to create.

**Policies working together**

The impact of good economic policies on growth and the reduction of poverty and inequality will be much greater where there is broad-based access to good quality education and health services. Costa Rica is a dramatic illustration of this. When it became the first country in the world to abolish its army (under its 1948 Constitution), Costa Rica used the ‘peace dividend’ to increase the proportion of funding to health and education (de Camino et al., 2000). This in turn led to a greater ‘supply response’ to later economic reforms, setting the stage for the country to become a standard setter in terms of literacy, income distribution and quality of life. Costa Rica highlights the fact that progress in one area, such as education, can drive advances in another, such as equitable economic growth and poverty reduction. This in turn opens up new possibilities, such as in ecological resource management.

Meanwhile, among the key country-specific advantages that enabled Vietnam to attract FDI was its relatively high education levels and labour quality. Initial and sustained equitable investments in education and health set the foundation for future improvements in education outcomes, which in turn were key factors contributing to sustained progress in economic conditions and Vietnam’s ability to take advantage of national and international market opportunities. Another example is Thailand, which has promoted universal primary education since the 1960s. Average rural literacy rates reached 80% before the end of the 1970s and, overall, the rural education level is among the highest in developing countries (Fan et al., 2004). Broad-based investment in education has had an important impact on agricultural labour productivity growth.

**When are policies most effective?**

The progress stories highlight a number of principles that make policies more effective. Successful policies drive towards a common goal, are frequently based on and scaled up from experiments and innovations, are attentive to inequalities and are maintained over time.

**Driving towards a common goal**

Policies are most effective when they have been directed towards achieving a set of priorities that government and citizens alike have agreed. Articulating a vision and setting policy objectives and priorities is crucial. This vision can be formed in different ways, through differing combinations of national strategies, motivational campaigns and demands from the population.
Successful policies have generally been designed and structured around a clear vision for progress – most often embedded in a national or sector strategy. These strategies have become increasingly sophisticated over the years, and have become effective tools for planning, implementation and monitoring. In many countries, they have gone through several iterations, incorporating new lessons and ideas over time. They have also helped build national ownership of the development agenda.

Across all groups of countries, from the potentials to the stars, policymaking has had a vision to achieve a set of goals. Malawi’s economic progress is driven by policies firmly rooted in its national strategy to reduce poverty, the Malawi Growth and Development Strategy (MGDS). This is based on the country’s Vision 2020, a set of goals and objectives derived through a nationwide consultation on development objectives. The strategy and its underlying vision document have enhanced ownership of the development policy processes. Laos has consistently embedded lessons learnt in rural water supply and environmental health sector strategies. Cambodia’s education strategy has significantly increased coherence in terms of education policies, and subsequently improved outcomes. Bhutan’s vision of environmental conservation as a core part of development, reflected in the term Gross National Happiness, has been instrumental to its environmental progress.

But the successful formulation of strategies is not enough: a strong sense of national ownership is essential (as Chapters 1 and 3 discuss), as well as prioritisation in financing, even in cases of low overall tax revenues. Countries that have linked financing directly to policy have seen significant progress. For example, Malawi aligns the MGDS with the budget to ensure the appropriate allocation of resources to roll it out. The agricultural input subsidy, which is Malawi’s key policy for achieving national objectives, has received a sizeable budget contribution. In 2008/09, it represented 74% of the agriculture budget and 16% of the total national budget (Dorward and Chirwa, 2011).

Matching resources with articulated priorities in Cambodia’s and Uganda’s national strategies has facilitated progress. The focus on primary education, as articulated in Cambodia’s National Strategic Development Plan 2006-2010, was matched by a prioritisation of resources to the sector. High levels of expenditure helped consolidate many of the gains achieved during the past two decades. Between 2003 and 2008, government recurrent expenditure to the sector increased by almost 30% in real terms, and the recurrent budget share rose from around 11% in 1999 to 19% in 2007. Approximately 60% of these resources go to primary education. The government of Uganda’s prioritisation of rural water supply and sanitation was backed up with real money, with major impact. Between 1997 and 2002, allocations to the sector rose from just over $3 million to $31 million, or from 0.5% to 2.8% of the national budget, much of it going to rural areas. There has also been an increased transfer of resources to local government, more recently in the form of conditional grants, in parallel with decentralisation processes.

7. Although this share has declined in the past three years, to 16% in 2009/10.
Learning from pilots, experimentation and participation

The progress stories also point to the importance of evidence-based scale-up (including through community involvement in policymaking). Policies were found to be particularly effective when they built on smaller programmes that had been shown to work well and when communities and citizens were engaged in their formulation. In Rwanda, the success of many health policies and strategies can be attributed in large part to such ways of formulating policies: policymakers involve communities in identifying their own problems as part of the decentralisation policy. Most policies and strategies are evidence-based, and they often start as pilot initiatives (NGOs are usually in charge of piloting strategies). If they show results, the government scales them up at national level. Pilots and experimentation were also important in Vietnam’s reform process. The country developed a productive practice of permitting – even encouraging – communities to push the frontier of what is allowed under official policy. This ‘fence breaking’ is then monitored and, where successful, scaled up by the government itself. Bottom-up experimentation on the fringe of legality is thus used to substitute for a process of top-down reform, with impressive results.

Experimentation with grassroots solutions has produced impressive results. As noted earlier, in response to the longstanding cultural suppression of Ethiopian ethnic groups, regions were granted full expression of language and culture in 1994, resulting in the administrative and political reorganisation of the state into a de-concentrated federation (Vaughn and Tronvoll, 2003). Schools were permitted to teach core subjects in local and regional languages, which was a highly controversial policy at the time but has been significant in increasing performance.

Innovative grassroots policy solutions are often needed to deal with capacity constraints. For example, facing a severe shortage of medical staff, the government of Eritrea recognised the challenges in dispatching large numbers of doctors and building hospitals in remote villages. Given that the only institutions that existed in almost every remote village were schools and teachers, it trained teachers to screen children for basic health problems (e.g. skin, ear and eye infections and dental cavities), as well as to recognise undernourishment by checking weight and height. As part of the education curriculum, teachers were required to lecture on health education (including prevention, nutrition, hygiene and HIV and AIDS prevention). Teachers were responsible for the health of the children in their class, addressed minor ailments, intervened at early stages in illness and referred serious illnesses to the nearest clinic or health station. Impressive results have been achieved. By 2006, malaria morbidity had decreased by 74%, mortality by 85% and case fatality by 78%. The number of cases per 100,000 plunged by 92% between 1998 and 2006. In rural areas, the number of children vaccinated against measles almost doubled in seven years, from 40.7% to 78.5% between 1995 and 2002.

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8. With support and technical assistance from development partners, the government has carried out extensive and continuous consultations and assessments to identify bottlenecks in the provision of health care as well as the determinants of the health status of the population. Rwanda is continuously learning from and adapting its health service delivery strategies to the reality on the ground. In this way, community ownership of policies is ensured, which in turn contributes to the quality of services.

9. For instance, the rollout of the Mutuelle and performance-based financing were prompted by the good results of pilot schemes, which were afterwards tailored to the national context.

10. Data come from World DataBank, the MDG Indicators, various demographic and health surveys and the World Health Organization (WHO).
Addressing inequalities: good politics, good economics

Smart governments focus on the breadth of their population, avoiding the emergence of large gaps between groups (e.g. between ethnic, regional or wealth groups). Even if they are not driven by moral principles, good politicians know this helps maintain stability, contributes to nation building and is pro-growth. Addressing underlying inequalities was key to progress in a number of cases, with policies focused on equity as both an end and a means to development progress.

For example, inequality in access to education has traditionally been a sharp dividing line in Ethiopian society. The government, in power since the early 1990s, has overseen the opening up of educational opportunities as a way to relieve these tensions. This has involved abolishing school fees, building schools, expanding teacher training facilities, creating alternatives in rural areas, starting school feeding programmes and generally making school more attractive and financially practicable for girls (Box 5 above). Overall, the government has been able to increase greatly enrolment at primary and secondary level and to establish a more balanced ratio of males to females in school. This has all helped equip the country to generate double-digit economic growth in recent years.

Similarly, Benin has prioritised equity while improving access to education. Improving incentives for females to attend school has challenged patriarchal perceptions and allowed households to experience the benefits of female education. In this way, the government and its partners have achieved substantial reductions in the gender gap in education. Bangladesh has empowered women through female education and economic reforms that have benefitted female employment. This has also promoted better health outcomes. Households run by women outperform those run by men in terms of health and diet. Meanwhile, policies targeted at the empowerment of women have addressed some underlying drivers of poor health conditions and led to improvements in health and education.

This report does not suggest that countries should give up growth in order to reduce inequalities (absolute income poverty levels have reduced dramatically even with growing inequities). Rather, it recommends that countries pursue inclusive growth paths (which allow the poor to participate more fully in and benefit from growth) and develop appropriate complementary policies to mitigate disparities (e.g. social protection systems, progressive taxation or interventions targeted to excluded groups).

Policy continuity: 'don’t give up!’

Sustained commitment to policy goals is critical to progress. Success almost never comes overnight. Years and often decades of consistent concerted effort are required for transformational change. In Bangladesh, the ongoing nature of the government’s pro-poor health policy is an important factor in progress in the health sector. Throughout the four decades since independence, Bangladesh has been ruled by successive military regimes and democratic governments. In spite of the changing political scenario, though, each administration has taken health very seriously, maintaining primary health care as a priority for national development. While the government has provided a framework, large NGOs and donor-funded programmes have supported continuity on the ground.

Ghana is an example of sustained commitment to economic reforms,
despite instability and significant challenges. Consistent economic reforms throughout the 1980s and 1990s paid off, but this was not always easy. Some aspects of reform were resisted bitterly, and not everybody was a winner at the outset. Ghana illustrates that consistency of policy does not mean sticking slavishly to a blueprint – fine-tuning was needed at many points on the journey. Rather, it is necessary for policymakers to keep their eye on the long-term policy objective. **Vietnam** illustrates the same point. Long-term commitment to the principles of *Doi Moi* resulted in economic reform and investment in human development over an extended period of time, and has enabled the country to sustain economic growth for two decades.

**Policy continuity is sometimes maintained through continuity of leadership** – such as in Ethiopia or Vietnam, for example. In other situations, it is achieved by embedding it in existing national institutions, such as the Constitution. The effectiveness of the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) in **India**, social grants in **South Africa** and Brazil’s pension programme owe in part to their constitutional enshrinement and, in turn, the countries’ ability to enforce access to these programmes through the judiciary. In Brazil, the Constitution has made the state responsible for poverty reduction and the creation of a more ‘just and equitable’ society (Bastagli, 2008; Jaccoud et al., 2010). As a result, it lays a legal foundation for the state to provide health and education services as a basic right of all citizens, as well as guaranteeing social assistance as a right of the poor (Bastaglì, 2008; Lindert et al., 2007).
Experiences in many developing countries have demonstrated that the quality and capacity of domestic institutions have marked impacts on development trajectories.

Institutions are now core parts of the development discourse, and improving our understanding of them and how the contexts in which they function affect outcomes has become central to enabling progress. The progress stories illustrate how institutions can support and frequently drive lasting change.
The many faces of institutional change

Institutional arrangements can incentivise the state to act in ways that benefit the general population. Institutions can thus be seen as the rules that govern human interactions and particularly state–society relations. An extensive and growing literature deals with the importance of institutions in social and economic development. The progress cases do not provide a complete picture of the many institutional changes that underlie development, but they do highlight some important examples of institutional change that seem to have been instrumental to progress. These include the reform and decentralisation of public administration and service delivery; legal and legislative reforms to provide checks on power and to combat corruption; and the role of non-governmental institutions that foster community participation. Overall, improved institutions are both a means and an end of progress. They can contribute to human wellbeing by providing political voice and participation but they are also important as drivers of other development outcomes.

Box 6: Improving service delivery through decentralisation reforms

Newly empowered institutions at decentralised levels can have an important role in creating new spaces for public participation and ownership around policies, increasing the likelihood of their effective implementation. In a number of the stories, decentralisation – when implemented alongside sufficient capacity building and within a conducive institutional framework – has provided incentives for improved governance and developmental outcomes by giving communities greater control over resources and services.

Since the late 1990s, Uganda has built stronger local institutions to deliver services, most notably improving access to water. Local governments (districts, town councils) were empowered by the Local Governments Act (1997), creating a grants system that has supported the recruitment of qualified staff. The Ministry of Water and the Environment shifted its focus from implementing projects to supporting local governments. It established regional units to support district planning and delivery. Levels of capacity – financial, technical and human – have improved in many districts as a result. Decentralisation, paired with institutional and policy reform measures to ensure its success, has been key to improved access to and maintenance of water services. Rural access to an improved water source increased from 39% in 1990 to 64% in 2008.

In Ethiopia, the new federal structure, and the gradual process of decentralisation to successively lower levels of governance, has been a factor enabling improvements in the country’s education system. Although the policymaking process is still relatively centralised, the Ministry of Education consults with the 11 regional governments to develop overall policy guidelines and programme frameworks. The regions then have some latitude in the implementation of policies, including the use of regional languages as the medium of instruction. The second stage of decentralisation to woreda (district) levels has led to greater administrative efficiency and accountability, while also addressing inequities across the country. The provision of block grants to woredas was structured so those areas that were furthest behind would receive more on a per capita basis. It appears that initial problems of capacity and in the structure of administration and governance are slowly being overcome, and decentralisation is gradually leading to significant improvements in education outcomes.

While the overarching objective of India’s rural employment guarantee, MGNREGA, was to reduce poverty through employment creation and the development of productive assets in rural areas, it was also meant to transform and strengthen local governance structures to help meet these objectives. The bottom-up planning process envisaged in MGNREGA, and the large increase in coverage over such a short period of time, has come from the effective functioning of the three-tiered panchayat governance system (Chopra, 2010). Intermediary panchayats ensure that job seekers are provided work within 15 days, and they identify appropriate works if the local gram panchayat fails to do so. District panchayats, the highest level, are required to develop five-year plans based on overall district needs and to coordinate MGNREGA activities at the district level. While implementation remains constrained by corruption and a difficult application process, MGNREGA has nonetheless made a substantial and unique contribution to over 40 million rural households in just four years, generating over 1.7 billion person days of employment.

Reforming and decentralising public administration and service delivery

In many case study countries, progress has been achieved through governance reforms that have decentralised governance and strengthened local institutions. Reforms have not only led to improvements in service delivery but also enabled more effective revenue collection and management of public finances. In many cases, reforms have improved the capacity of governing institutions in taxation and revenue collection, which has helped provide citizens with improved and more sustainable access to health, education, water, social protection and other services (Box 6).

In some cases, besides improving service delivery, these governance reforms have also had an important impact in terms of promoting state cohesion. Indonesia has seen its entire institutional framework transformed, to become a relatively open, stable and democratic nation, underpinned by decentralisation as the centrepiece of a wide-ranging programme of institutional reforms. The reform of local and central institutions implemented by the Habibie government provided significant authority to the district level, bypassing the provincial level, at which separatism had found its clearest expression. The lynchpin of this strategy to counter fragmentation has been the institution of a complex, but largely effective, system of revenue redistribution, in which expenditure authority for most functions has been devolved to the local level (Shah and Thompson, 2004). However, the central government has largely retained its powers of taxation. Since decentralisation laws came into effect at the turn of the century, there has been a significant, if not complete, decline in regional separatism and regional conflict, most visibly in the successful peace deal struck with the separatist Free Aceh Movement (Gerakan Aceh Merdeka) in 2005 (Chaudhuri et al., 2009). The structure of fiscal redistribution in the resultant federal system is critical to the provision of most public goods, and has provided an incentive for local leaders to maintain a good relationship with the central government.

Finally, devolution of governance to local communities can drive progress in environmental conservation. Namibia’s story of progress highlights the importance of an improved institutional framework in the conservation of ecosystem services. The passage of the 1996 Conservancy Legislation granted rights to communal area residents living in conservancies to benefit from wildlife. This allowed for devolution to lower levels of government, through transfers of authority to community-led institutions, as well as predictable incentive-based approaches to promote participation and a commitment to equity. It has resulted in the registration of 59 conservancies to date, covering 16% of the country’s surface. Devolution was provided with financial, technical and political support and sustained engagement, which created an enabling environment for success.
Decentralisation reforms have been most likely to enable progress when they have been accompanied by a clear framework on revenue sharing, fiscal equalisation and taxation; extensive capacity building at decentralised levels; strong mechanisms to ensure accountability and transparency; increased popular participation; and strong leadership from the centre. In the absence of these, efforts to decentralise frequently stall, and anticipated benefits fail to materialise. Moreover, it is important to understand how reforms realign incentives. In Indonesia, decentralisation has made local politics and governance practices far more vibrant, but local political processes have not yet necessarily become more genuinely participatory or responsive to citizens’ interests (Choi, 2007). Further, it is important to recognise that some aspects of governance benefit from centralisation, particularly when it is necessary to conserve relatively harmonised nationwide systems for reasons of national cohesion or efficiency.

Legal reforms to improve oversight and combat corruption

In a number of cases, progress has been enhanced through the establishment or reform of institutions that provide checks on power and combat corruption. These institutions can promote progress by ensuring that leaders and governments are held accountable and that laws are enforced.

Many cases highlight the importance of independent oversight mechanisms to keep governments accountable. In Indonesia, a newly consultative budget process has been developed, along with a new legal framework that includes specific input controls and other fiscal rules designed to promote budget responsibility, reduce corruption and increase financial accountability. A Treasury Single Account has been introduced to increase transparency and oversight; the Supreme Audit Board has been strengthened; and effective and independent anti-corruption institutions have been created. Reforms have also limited the political influence of the military by separating the police from the armed forces; serving military officers are also no longer permitted to hold positions in the civilian bureaucracy (Aspinall, 2010). In Uganda, the Department of Planning and Quality Assurance was established to carry out periodic monitoring of all ministry activities including water and sanitation, which has contributed to progress in this sector.

Institutions enforcing laws have also played a role in a number of countries. In Costa Rica, newly created institutions served to enforce forest conservation legislation, providing a critical basis for progress in environmental conservation. For example, legal reforms that came with a new forestry law helped with the institutional reform of the National Forestry Finance Fund (Fondo Nacional de Financiamiento Forestal), a decentralised organisation mandated to collect and administer the financial resources of the sector. Costa Rica’s institutional and legal reforms were key factors in the country’s remarkable progress in forest conservation. They allowed the country to develop stronger policy coherence, whereby legislation, economic policy and the incentive structures of the institutions implementing the reforms all reinforced one another.

Non-partisan security institutions can also be drivers of progress, particularly in post-conflict situations. One example was the creation of the new National Civilian Police (Policía Nacional Civil) in El Salvador, outside the traditional military establishment responsible to the civilian-elected legislature and dedicated to protecting and serving citizens rather than the interests of the state or an elite. The very existence of a civilian

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12. This points to the inherent political tension in the structuring of decentralisation processes, namely that, while decentralised institutions are intended to provide a foundation for greater political representation and the participation of all citizens, they rarely emerge as a result of grassroots pressure, but rather tend to depend on a willing devolution of power from the top, for example by the president (as in Rwanda), or upon external influences (such as donors).
police force, albeit one which is struggling to contain social violence, is important evidence of progress in terms of addressing the endemic nature of political violence.

Non-state, community-led and volunteer-based institutions

Institutions created to provide a participatory role for citizens to deliver, monitor and improve service delivery have been central to their improvement. Increased community and civil society involvement in governance and service provision has been vital to addressing existing gaps in government efforts, particularly where there are insufficient resources to provide adequate services for people in all areas of the country.

Localised institutions have been particularly important in stimulating demand and making education and health services more affordable and accessible. Mothers’ associations in Benin have complemented the efforts of male-dominated parent teacher associations and provided a particular focus on the specific cultural and economic constraints entailed in enrolling both boys and girls. Piloted by the NGO World Education, they have since been set up in over 500 Beninese communes and help collect funds for construction projects and for the hiring of additional teachers. More importantly, they have created an opening for women to engage within the community and to take a more active role in school management. School management committees and parent teacher associations in Ethiopia have also allowed parents to increase their participation substantially. These aims to increase enrolment and combat dropout, and also frequently take on an oversight role, supervising the actions of school headmasters.

Meanwhile, the active engagement of community-level health workers (frequently unpaid) has been integral to progress in health in many of the case studies (Box 7).

Box 7: Addressing health needs at the village level by mobilising community workers and volunteers

<table>
<thead>
<tr>
<th>Volunteers and community workers play an invaluable role at village level in improving health outcomes, most notably by educating their fellow citizens on preventative measures and by providing referrals to clinics.</th>
</tr>
</thead>
<tbody>
<tr>
<td>In Bangladesh, village health volunteers are selected by their community and trained in preventative care and general diagnosis. Their role includes education of community members on the basic causes, prevention and control of diseases. The system works on a referral basis: when a case surpasses the knowledge of a volunteer, he or she refers the patient to the village health care post or the union health and family welfare centre. During outreach clinic sessions, volunteers participate in the distribution of vitamin A and oral rehydration therapy.</td>
</tr>
<tr>
<td>In Eritrea, community health agents, selected by local committees at village level, raise awareness on malaria. They are the backbone of the country’s anti-malaria programme and bring services closer to the community, thereby reducing delays in treatment and acting as a nexus between communities and health facilities. The widespread distribution of indoor insecticide spray and insecticide-treated nets has proved extremely successful in reducing incidence of malaria, particularly among vulnerable groups. At the grassroots level, awareness campaigns have used mass media, conversations, promotional materials, plays, malaria-related films and folktales.</td>
</tr>
</tbody>
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A key aspect of decentralisation reforms in Rwanda involved the integration of community health workers into the local government health structure. This role was introduced in the late 1990s to respond to the shortage of health staff following the death of many medical personnel in the genocide, and community health workers are elected by their community to deliver basic health care services and to help promote behavioural change. They receive training to cure basic diseases in the village and are equipped with a basic medical kit, which includes oral rehydration therapy, antibiotics for respiratory infections and medicines for malaria. Community health workers have many responsibilities, including environmental sanitation, hygiene, maternal and child health, family planning and contraceptive distribution, HIV testing, nutrition and malaria preventative measures. As a result, they are central to progress in health, as they intervene and prevent problems before they become serious. Their role is also crucial in helping people understand the dynamics and importance of the Mutuelle, the national insurance scheme.
NGOs have also had a very important institutional role in driving progress in many countries, particularly where government capacity is limited. In Cambodia, NGOs were involved heavily in education service provision prior to the arrival of large donors in the 1990s, and have had relatively free reign in setting up projects throughout the country, particularly when they have had support from donors. Their substantial diversity and a lack of coordination in the 1990s created difficulties in integrating them into broader sector planning, and provided the impression that NGOs were in competition with the government. Nonetheless, they played a vital role in rebuilding the national basic education system. NGOs continue to represent an effective network able to raise policy concerns and, as Seel (2007) argues, to provide ‘ground-truthing’ on the implementation of sector plans.

In Bangladesh, the government has drawn on the capacity and networks of a vibrant NGO sector to address weaknesses in public health (Ahmad, 2003). NGOs frequently receive a better response from local communities than the government. Many also have an extensive network throughout the country, giving them good coverage and outreach within local communities – including some government services do not reach. NGOs in turn receive training and gain access to government facilities, such as laboratories, and discounted prices for medicines and other equipment that the government buys in bulk. This allows for more efficient use of public and private resources and efforts.

Beyond their role in supporting the government’s provision of services, NGOs and community organisations have also been important sources of policy innovation, by developing highly localised approaches in programme design and implementation. Governments have often gone on to implement these pilots nationwide. In Cambodia, NGO pilots, such as scholarship programmes and Child-Friendly Schools, have later been scaled up using government and donor funds. In Bangladesh, successful NGO-devised initiatives that have been scaled up include oral rehydration therapy, immunisation campaigns and family planning programmes. However, in this context, it is important that NGOs – where possible – support rather than replace the functions of the state. In Ethiopia, for example, NGOs have tended to work in the remotest areas, where public education provision is most limited. This can lead to uncoordinated and highly fragmented service delivery.

What aspects of institutions have facilitated progress?

The progress cases highlight a number of characteristics or features of institutions that influence whether institutional change leads to improvements in wellbeing. Their success is highly dependent on sufficient internal capacity (i.e. well-trained, equipped and motivated staff). Moreover, they are likely to be more effective if they have clear accountability and results frameworks, and if they promote voice, inclusion and greater choice. Finally, their impact and sustainability are frequently enhanced when they are responsive to local contexts, in some cases incorporating traditional values and structures.
Development of capacity at all levels

The success of institutional reforms in driving progress is highly dependent on the development of skills and capacities of officials in these institutions. This has been particularly central to the success (or failure) of decentralisation reforms. In Ethiopia, extensive capacity-building efforts have resulted in greater administrative efficiency at the woreda level. Observers argue that ‘although capacity constraints are still real, the pressures of political accountability are keenly felt, and appear to be acting as a spur to improve performance despite resource constraints’ (Watson and Yohannes, 2005). Initial problems of capacity are gradually being overcome, and devolution is slowly leading to significant improvements in education outcomes and increasing popular participation in the system.

Likewise, the success of Brazil’s reforms of its social protection and poverty reduction programmes was strengthened as a result of progressive investment in decentralised institutional capacity and coordination across the country. Effective institutional structures supported by a sufficient number of well-trained officials to deliver timely and predictable transfers and to target effectively the poor with minimum leakages (Soares et al., 2010) have been critical in the success of the programmes in reducing poverty and inequality. Improvements in the capacity of audit and anti-corruption institutions have provided a partially effective sanction mechanism to deter and, where necessary, punish abuses in Indonesia. Long-term capacity building was central to Uganda’s institutional reforms, particularly at district level, allowing for the effective adoption of decentralised service modalities. The Ministry of Water and the Environment has also invested in building national capacity to monitor and evaluate sector progress through the Department of Planning and Quality Assurance.

Conversely, lack of sufficient capacity can be a substantial obstacle to fully benefiting from reform efforts. We have seen how Benin has made astonishingly fast progress towards universalising access to primary education and increasing completion rates for boys and girls. However, this expansion of the system, paired with the substantial existing institutional constraints that are not being addressed sufficiently, has frequently overextended the capacities of education ministry staff. The country’s low capacity to implement programmes and disburse funds remains a substantial problem, with significant sums – frequently up to half of the capital budget – remaining unspent. Similarly, limited staff capacity and skills in efforts to implement India’s MGNREGA have resulted in serious deficits in delivering employment for the rural poor. Constraints to implementation include a lack of programme officers to support implementation as well as of accredited engineers to support the timely and transparent costing of works (Ambasta et al., 2008).

Focus on results and accountability

The degree to which institutions provide structures and avenues for horizontal and vertical accountability is an important factor in how effectively they promote improved development outcomes. Accountability can be ensured through institutional mechanisms that foster greater participation and thus public involvement in institutional processes, as well as through structures
that provide a greater focus on results and the achievement of planned development outcomes. State bodies and non-state organisations charged with holding institutions to account also have a significant role in furthering the achievement of goals.

**Decentralisation reforms have been most effective when they have ensured the accountability of local officials to higher levels of government as well as to communities.** Ethiopia’s decentralised structure of service delivery has made local education offices accountable to regional education offices on the achievement of targets. Further, the heavy involvement of communities in monitoring schools and local officials through various *woreda* volunteer committees has, in some cases, added a layer of scrutiny and increased the accountability of local officials to the communities they serve. Meanwhile, the legislation setting out the management of Namibia’s conservancies, which draws heavily on common property resource management theories, was highly innovative in ensuring mechanisms of mutual accountability between different levels of government, between communities and the state and among community members themselves. Proprietorship over wildlife on state-owned land was assigned to a large group of people, who all agreed to a set of operating and resource rules and to ensure an effective means to monitor compliance and enforce these rules. The risk that devolution would create a structural bias against the poor was avoided largely because Namibia’s conservancy policy established equity, participation and benefit sharing as explicit policy goals. These in turn were enforced at the leadership level of relevant government agencies, by NGOs and by the communities themselves.

**The development and implementation of clear results frameworks also enhance the effectiveness of institutions.** In Uganda, such a framework has enabled an increasingly sophisticated review of sector performance and provided a platform from which all sector stakeholders are able to analyse the progress and challenges of the sector in a comprehensive manner. The new Joint Sector Review process allows sector ministries, civil and political leaders, local government staff and donor representatives to discuss sector performance, identify problems and agree on solutions to address priority issues. In Rwanda, performance contracts, which all officials sign both with the president and with the communities they serve, are linked to a set of achievement indicators that make up an individual score, which takes into account what has been done as a team but also as individuals.

**In electoral democracies, such as Brazil, South Africa, India and post-Rawlings Ghana, government’s incentive to deliver effectively on its promises or fear the retribution of voters serves as a powerful motivating force.** In South Africa, the reliance of the African National Congress on the electoral support of the poor has facilitated the implementation of a strong rights-based framework concerned with the reduction of inequalities and poverty, particularly through effective social assistance programmes. Although the fiscal sustainability of these programmes has been questioned, the range of assets and services government provides, such as education and health (which are free for the poor); housing subsidies; and free basic electricity and water and sanitation, has been instrumental in decreasing levels of deprivation and insecurity among the poor.
In many progress story countries, non-state actors have played a critical role in increasing government accountability, particularly when they have been supported by legal structures. In Indonesia, civil society organisations and pressure groups have proliferated alongside new and active political parties, and opposition parties have increased their ability to influence policy decisions. This has been supported by the country’s new legal framework, which includes specific input controls and other fiscal rules designed to promote budget responsibility, reduce corruption and increase accountability (Blöndal et al., 2009). Overall, this has proven effective at improving both national- and sector-level governance. Similarly in India, a large network of NGOs promoting effective implementation of MGNREGA is supported by an institutional and financial incentive structure designed to improve implementation (such as financial penalties if work is not allocated on time), as well as institutionalised mechanisms to encourage transparency and accountability.

Encouraging voice, inclusion and greater choice

A central feature determining the extent to which institutions promote progress in social and economic development is whether they promote equity, participation and greater choice. Countries (or stakeholders) can increase the effectiveness and sustainability of their institutions by ensuring they are broadly inclusive of all relevant segments of society. Structures to ensure greater responsiveness to changing circumstances, uncertainty and risk have allowed leaders to cope better with creeping instability.

In some progress stories, greater inclusion has been achieved through electoral reforms. Electoral reform in Mauritius helped build and maintain social consensus around the government’s vision for progress. This included a constitutional mandate on the inclusion of minorities. As a result, all major parties are encouraged to nominate candidates from both minority and majority communities. Further, the electoral process ensures representation of minority ethnic groups through the ‘best losers’ system, in which an independent electoral commission appoints up to eight losing candidates to each new National Assembly to represent ‘underrepresented’ ethnic groups (Sandbrook, 2005). Political parties are generally not based in ethnicity, and the need to form coalitions has further reduced ethnic divisions. Moreover, the institutional frameworks that promoted Mauritius’ nation-building processes, exemplified by the country’s National Economic and Social Council, have brought together representatives from various organisations and layers of society to consult on policies.

Similarly in Indonesia, electoral reforms have been instrumental in relation to governance and wider progress. Since 1999, the country has organised three cycles of competitive, direct elections under the supervision of an independent Electoral Commission. Voter turnout has been impressive and has largely remained high in subsequent elections. Members of Parliament have begun to act with significant independence from the executive. Democratic electoral systems have also allowed for substantial pro-poor policy innovations in South Africa and India, where social protection programmes have been set up to address the needs of the poorest. These have in turn received greater certainty and sustainability through their incorporation into the broader legal and, in some cases, constitutional framework.
Ensuring that post-conflict settlements are inclusive of different segments of society has also been important. El Salvador’s post-war settlement highlights the importance of grounding state and peace building in political and institutional arrangements that reflect the balance of power among elites and between citizens and the state. Efforts to end the systematic exclusion of the political left and to ensure greater inclusiveness in the political process have been critical to improved governance. For example, the transformation of the former coalition of insurgents – the Frente Farabundo Martí para la Liberación Nacional – into a viable political party enabled, for the first time, equitable, non-violent, competitive political debate. Its successful transition is demonstrative of the importance of an inclusive and non-ideological political settlement to sustainable progress.

In some cases, decentralisation reforms, beyond providing avenues for greater accountability, have shifted public investment patterns in favour of poor communities and contributed to increased equity. This has been the case when redistributive national budgeting has been integrated into fiscal decentralisation reforms to counteract regional inequalities, as in Ethiopia and Brazil. Ethiopia’s fiscal equalisation system attempts to direct the focus more transparently to ensure all citizens receive equal levels of services. Federal resources are distributed neutrally to regional expenditure priorities and provide special assistance to the emerging (formerly disadvantaged) regions. Community-based institutions and NGOs have also played an important role in driving community involvement in governance processes. As noted earlier, NGOs have had a substantial influence in India, Bangladesh and Cambodia in terms of access for the poorest to social services.

Finally, institutional frameworks that promote entrepreneurship and allow for greater choice can further drive progress. In Thailand, the central government supported private initiative by opening land for purchase, building roads, constructing irrigation, channelling funds through a state-owned bank and promoting agricultural exports. In Ghana, the Rawlings government helped create a favourable policy climate that promoted the private initiative of farmers, including favourable investment policy, public goods provision and agricultural research and extension services, among others. The promotion of choice also played a central role in health reforms in Rwanda and in decentralisation in Indonesia.

Adapting traditional institutional foundations to tackle modern problems

Institutional change is often an uneven process in which state structures evolve over decades or even centuries, shaped by complex social and political processes. Locating institutional change and reforms in locally legitimate norms has in many cases been critical to their acceptance and sustainability. The effectiveness of these traditional norms, values and institutional arrangements explains partly why ‘model’ institutions are very difficult to transplant from one environment to another, and why the most effective and long-lasting institutions evolve out of a particular socio-political context. In Cambodia, some efforts to enrol children that built on existing sources of community collective action, such as pagoda committees, have been effective at
promoting community participation and the representation of community interests within decentralised school clusters (Pellini, 2005). In Rwanda, policymakers have deliberately brought back traditional values from the past to further policy objectives. Such values not only have contributed to the process of reconciliation but also have been applied strategically to policies to foster the country’s development.

Similarly, Eritrea’s progress has been built on foundations developed in the era of conflict. The EPLF’s ‘zero school’ was created behind the front, with teachers provided with basic medical training so they could play more than one role. As a result, close cooperation developed between the Ministry of Health and the Ministry of Education, greatly improving the effectiveness of service delivery. The kinship-based institutions underpinning Somaliland’s complex lineage system, which have been adopted in a hybrid form in the new republic, have been indispensable in ensuring adoption and relatively wide acceptance of common rule-based norms in society. This type of development of institutions is a key feature of Somaliland’s progress in governance (Box 8).

**Box 8: Blending the new with the old – institutional change in Somaliland**

The case of Somaliland demonstrates that systems of governance rooted in ‘traditional’ institutions and cultural norms can both contribute to effective performance in the present and provide an important foundation for future progress in governance.

Somaliland has emerged as a territory increasingly capable of providing for its citizens, and has been able to avoid a descent into chaos by drawing on the presence of traditional institutional roots. Following the collapse of Somalia in 1991, a number of home-grown kinship-based institutions were incorporated into the new institutional arrangements adopted under the Republic of Somaliland. One oft-cited element relates to the Beel system, in which clan elders gained an institutionalised role through a House of Elders, forming an upper house in a bicameral legislative branch of government.

Although the Beel system suffered from a number of inefficiencies, it has also been lauded for its acknowledgement of kinship as the main organising principle of Somaliland society and its capacity to facilitate power sharing among the main clans during its tenure as a temporary system of organisation prior to the development of multiparty elections. Importantly, the political stability and enhanced state legitimacy afforded by this institutional base allowed Somaliland to construct institutions more capable of carrying out policy formulation and decision-making functions. Under the leadership of President Egal, Somaliland was able gradually to put in place basic bureaucratic structures such as government ministries, a Civil Service Commission, a Central Bank, revenue authorities and a judicial system with regional and district courts.
Relationships between donors and developing countries have changed dramatically in recent years. In the process, genuine partnerships have emerged, in which national governments are increasingly taking ownership of their development agendas and interacting with donors in a more mutually accountable way. New actors have also emerged (e.g. China, Brazil and foundations), bringing new approaches, adding to the richness of choice facing developing countries and strengthening the case for country-led approaches. Several cases illustrate how effective donor interaction has contributed to progress.
Support on many fronts

International assistance involves more than aid. Developing countries can benefit from interactions with the global community through financial and technical assistance and FDI; ideas and knowledge; technology; rules and regulations; and international relations. The aid architecture is also changing rapidly as new donors and innovative practices emerge.

Financial and technical assistance

The role of external financial assistance in development is contested. Some have argued that aid has little impact on development, or even limits progress (e.g. Moyo, 2008); others have argued it is almost the silver bullet that assures development (e.g. Sachs, 2006).

While the international community is rarely the most important driver of development progress, it has often played a catalytic role in facilitating and supporting progress. In Thailand, donor funds (from the US, Japan, the World Bank) were crucial in supporting investments in road infrastructure and irrigation improvements, contributing to growth in agriculture. In Burkina Faso, financial assistance from a consortium of donors, led by the World Bank, was important in establishing a secure water system in the capital city through ONEA. In Laos, the National Centre for Environmental Health and Water Supply (Nam Saat) in the Ministry of Health was created with the support of the United Nations Children's Fund (UNICEF). Nam Saat is the lead sector agency responsible for the rural water supply and sanitation sector in Laos – and a key driver of progress in the country’s rural sanitation. Prior to its establishment, there was no institution responsible for rural water supply and sanitation.

Financial support can also come from other sources. The Eritrean diaspora played an important role during both the war of liberation and post-independence reconstruction, and contributed (through remittances and technical expertise) to remarkable progress in the Eritrean health sector. FDI has also played a critical role in economic progress in a number of progress stories. Vietnam has been particularly successful at attracting international investors to its shores – aided by substantial trade and investment reforms starting in the late 1980s.

Knowledge and ideas

The sharing of knowledge and ideas – in a wide range of economic, technical, educational and political areas – represents another important form of international assistance. The cases show that this global public good has been an important driver of progress. It occurs in various forms, including the sharing of international monitoring data, the transfer of technical expertise and the exchange of experiences across countries. The cases demonstrate that sufficient and equal access to these public goods can be important for change.

The international community’s ability to benchmark or create common development goals or targets, such as the MDGs, has mobilised countries to focus on and work towards these. In Rwanda, the government, together with its partners, donors, civil society and the private sector, formulated a detailed health plan, with
objectives closely related to the health MDGs. Malawi now implements annual Welfare Monitoring Surveys, financed by the international community, to monitor progress on MDG indicators. This can help shape policies to address areas that are lagging behind. At the global scale, data collection around MDG targets has led to the production of a database that enables the international community to track progress and specific countries to benchmark their performance against that of other countries. It should be noted, however, that development targets can be effective only if developing countries own and share them. Experience has shown that ‘enforced’ conditionality (i.e. using financial coercion to enforce reform) seldom results in sustained change and usually generates hostility. This does not mean that frank discussion between government and international partners around development goals and targets should be avoided, or that conditionality that reinforces government policy is not useful at times.

Donors as well as other international partners have also driven progress by transferring technical expertise. Egypt shows how broad economic advice coupled with smaller-scale technical support can catalyse improvements in agriculture, with international expertise on new varieties of maize and cassava helping to increase crop yields significantly. Donors assisted in developing ideas on how to address Benin’s educational challenges, which formed the basis for the development of its first education strategy, leading to significant improvements in access to education for girls.

But technical advice can also come from other sources. Eritrea benefited significantly from the expertise of diaspora medical professionals, who both provided medical care and trained barefoot doctors during the war of liberation. This involvement was later expanded (after independence) when diaspora groups promoted and facilitated collaboration between the government and medical organisations, universities and doctors from developed countries. Doctors from different parts of the world travel regularly to Eritrea to work and at the same time contribute to the formation of skilled professionals. Orotta Post-Graduate Medical School which trains students in paediatrics and surgery, is a collaborative effort between the Ministry of Health, the George Washington Medical Center and Physicians for Peace.

Another form of knowledge sharing lies in the exchange of experiences and lessons across countries. With help from development partners, Rwanda has piloted a number of ideas that have worked in other countries. For example, with technical assistance, it successfully adapted the WHO’s Integrated Management of Child Illness strategy to the Rwandan reality by incorporating newborn diseases, paediatric HIV and family planning. This programme has been instrumental in reducing child illness and mortality. As such, by monitoring projects in other countries and learning lessons from them, it has been possible for Rwanda to ensure that it uses aid effectively.

South–South learning can be particularly powerful. Namibia drew lessons for its CBNRM from Zimbabwe’s resource management programme, the Communal Areas Programme for Indigenous Resource Management, which successfully linked community income and wildlife conservation.
Adoption of new technologies

Technological change – even at a basic level – has been an important driver of progress in service delivery in a number of cases – in particular when adapted to local conditions and where the capacity to utilise it is in place. In Laos’ sanitation sector, service delivery has focused largely on rapid construction of ‘pour-flush’ latrines, which has contributed to a notable expansion in access to basic sanitation in rural areas. In India, ICT has improved the implementation and monitoring of MGNREGA, through improved transparent and accountable mechanisms. Key monitoring and accounting data can be tracked and are made available online. Information from MGNREGA is also linked to the Rural Household Survey database in each state. Therefore, information relating to worker registration, demand for work, payment of wages, fund transfers and payments made, as well as to the status of various works, is captured. At the national level, information on the status of works under MGNREGA is currently being recorded and is available online.

Technology and research were also key factors contributing to increasing productivity in agriculture in many cases. In Ghana, increased use of fertilisers and pesticides helped raise cocoa farm labour productivity by an estimated 39% between 1991 and 1998, allowing cocoa farmers to spend time on other activities. The International Institute for Tropical Agriculture also introduced mechanised processing, which helped save hours of women’s labour in many Ghanaian villages (Nweke, 2004), while meeting the growing demand for gari (cassava-derived flour). Vietnam enjoyed sustained growth in agriculture well into the 2000s – supported in large part by investment in light manufacturing and access to improved farming technology innovation around new seed varieties, insecticides, fertilisers and other inputs, as well as infrastructure such as irrigation, transport and electricity. Vietnam has not only expanded its existing crop production, but also has moved into new markets (e.g. coffee, cashews and pepper), where it is now a major player.

Finally, technology and innovative financing ideas have been important in stimulating ‘green’ growth and protecting the environment. In Bhutan, reliance on hydroelectricity as an economic driver has been an important component in the preservation of natural resources, as it simultaneously necessitates a sustained natural resource base and avoids more polluting energy sources. Increased technology complemented by innovative fiscal incentives for reforestation contributed to Costa Rica’s ability to reconcile economic growth with environmental protection. The country has successfully experimented with economic instruments for biodiversity protection and carbon storage, complemented by technology that contributes to more efficient use of forest resources.

Rules and regulations

Changes in international rules and regulations (bilateral and multilateral) provide both opportunities and risks for development progress. There is an extensive literature on the impact of national and international trade rules on development: the stories provide only examples of how trade regulations have impacted on progress.
Vietnam, Thailand and Mauritius have been able to benefit from privileged access to international markets. Mauritius was able to exploit international market opportunities in sugar by gaining privileged access to European Union (EU) markets. This illustrates that strengthening a country’s ability to take advantage of export opportunities and implementing complementary policies to mitigate negative consequences can be an effective way to benefit from international trade rules.

However, more often than not, trade restrictions and other distortions of global markets for traded goods can hurt developing countries. Distortions can be a disincentive for countries to industrialise. For example, tariff escalation was a major constraint to additional cocoa processing in Ghana (World Bank, 2007). Moreover, loss of privileged access can have major costs – for example, when privileged access to US markets through the Multi Fiber Arrangement was phased out in Bangladesh and Cambodia.

Diplomacy

The international community has also played a role in negotiating alliances and settling political disputes through peace negotiations and electoral support. The role of this international diplomacy is highly complex and difficult to analyse, however, as it often takes place through covert negotiations and political processes. As such, the role of diplomacy, as discussed in the case studies, is mixed and should be interpreted with care. On the positive side, in El Salvador, interventions by the US government and the UN seem to have been instrumental in ending the civil war and opening up opportunities for development and governance reform. The UN also monitored compliance with the Peace Accords. On numerous occasions, the actors shepherded the insurgents and government through moments of crisis. The political stability this engendered, alongside continued support from the US, has enabled El Salvador to achieve significant progress in terms of building effective institutions.

Box 9: The role of international assistance in Bangladesh

Donor assistance since the 1970s has been crucial for the development of Bangladesh generally, and for the health sector in particular. Although the magnitude of external aid in the health budget has been decreasing, it is still significant. From 1993 to 2000, donor contributions varied between 31% and 40% of health expenditure.

The success of this support has depended on a number of factors, including strong direction from the government, productive collaboration with local NGOs and effective donor coordination. The government in Bangladesh has shown where and what health interventions are needed, while at the same time recognising its own limitations in terms of implementing programmes.

More effective planning and coordination of health programmes and partners was achieved through the development of a sector-wide approach (SWAp), adopted in 1998. The SWAp was a more efficient mechanism to coordinate activities among the various development partners and government, bringing together governments, donors and other stakeholders under the country’s strategic health plan. The SWAp also seems to have helped the government take greater control of the influx of external funding into the health sector. As opposed to previous models, where too many projects, vertical interventions and donor-driven initiatives might have fragmented national health systems and undermined the role of government, it seems the SWAp in Bangladesh has benefited the government by giving it a clear idea of what is actually happening in the sector and avoiding duplication of resources through a shift in donor support from project to programme.

The SWAp has also been critical in cementing the government’s role as regulator and contractor. Given capacity constraints within government, the majority of health care programmes in Bangladesh have for some time been implemented primarily by NGOs and private companies. The improved planning apparatus provided by the SWAp has enabled the government to effectively regulate and provide resources to NGOs and the private sector. This has created an enabling policy and regulatory environment conducive for others to do what they do best, while at the same time holding them accountable for their work. This has meant providing the space for NGOs to innovate, while at the same time identifying key innovations that could be scaled up into broader national programmes.

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Developing true partnerships

True partnership between national aid-recipient governments and their donors can be important elements in countries’ development. The progress stories shed light on a number of conditions under which international assistance has been most effective, including when the power in the relationship is balanced; when long-term and reliable strategies and financing are available; when aid efforts are coordinated; and when government institutions in the recipient country are strong.

Balancing power relations

International assistance has been most effective where governments ‘exercise effective leadership over their development policies and strategies, and co-ordinate development actions’ (OECD, 2005). This ownership is one of the key principles of the Paris Declaration, an international agreement to strengthen aid impact and effectiveness, which acknowledges that a government’s priorities becoming secondary to those of external actors can undermine progress. The progress stories illustrate important changes in the relationship between donors and developing countries. Successful countries have developed strong ownership of their development agenda, which has contributed to enhancing the effectiveness of aid and improved the quality of donor–recipient relationships.

A key element in this process has been the development of national or sectoral development strategies – including SWAps. Definitions of SWAps vary, but most contain the following key elements: government-developed policies; coordination between donors and government in developing an agreed blueprint of policies; and resources channelled towards a unified government policy and expenditure programme, often through budget support. Such approaches provide the framework within which governments can lead on their development agenda and coordinate donor assistance. They have become a channel for countries to communicate their priorities and for donors to align behind these.

The Ethiopian Education Sector Development Plan has over time become a key instrument setting and monitoring government policies on education reform. The plan was developed by the government with assistance from donors. Progress on the plan has been monitored through Annual Review Meetings and Joint Review Missions, which report back on performance on various initiatives. The Ethiopian government has reputedly been steadfast in negotiations, and has rarely backed down on policy priorities. Donors have become less prescriptive, while the government has become more appreciative of the role of donor assistance in the design, implementation and monitoring of projects.

The move towards SWAps has been particularly notable when it has facilitated the effective planning and implementation of sector reforms. In Uganda, for example, aid to the water supply and sanitation sector was characterised by fragmented donor projects, with limited use of domestic systems for service delivery. In 2002, reform processes that followed the SWAp framework led to impressive improvements in service delivery. Some sector stakeholders felt a better partnership had emerged between government and donors, with a substantial degree of trust and mutual understanding. The SWAp also enabled the building of domestic capacity. National and local government institutions were increasingly able to play their mainstream roles, meaning donors had a less operational role than previously.
Similarly, in Cambodia, a government-led consultation process guided movement towards a SWAp by creating the Education Sector Plan and a complementary Education Sector Support Programme. The nationally owned SWAp development process was an important milestone in systematically addressing supply- and demand-side constraints to more equitable access to education. Benin and Bangladesh have also reformed their institutions to move towards greater aid effectiveness through SWAp.

**Sustained support**

Predictable and continued support has been essential to progress. Aid strategies developed with a long-term purpose in mind and that are sustained have been critical to progress in a number of cases. Sustained donor assistance to Namibia’s CBNRM project has supported institution building – a slow process – and increased the ‘capacity’ of Namibians to conserve their natural and local environment by devolving funds and political responsibility to communal areas within conservancies. Similarly, sustained commitment to the urban water sector in Burkina Faso has been instrumental to its progress. A second phase of funding is supporting further work in the capital city and will boost water production, distribution and delivery in other major urban centres of the country (Bobo-Dioulasso, Koudougou and Dédougou). The financing requirement to meet the national target for urban water (and sanitation) is estimated at $324 million in total between 2007 and 2015, with over three-quarters expected to come from development partners. Some of the best performers – Rwanda in health, Ethiopia and Benin in education – have also received long-haul support from the donor community.

Besides bilateral and multilateral donors, sustained support from NGOs has also been important to progress. As discussed in Chapter 3, international NGOs were working in Cambodia on education projects before aid started to arrive in the 1990s. They established projects to address education quality, curriculum relevance, increasing school numbers and expanding access for the most marginalised, using methods that were tailored to community needs and that inspired local involvement. In this way, NGOs played a vital role in rebuilding the national basic education system. Although the fragmentation of approaches and their limited scale have remained a challenge, their work has gained international acclaim and has provided innovative and effective models for education programme and policy reforms in the gradual and incremental process of improving equitable access and quality.

Finally, the cases demonstrate that continued support is needed even when countries have started to take off. Between 1977 and 1983, during a world economic slowdown, the Mauritian economy – quite reliant on a single export at the time – suffered. Motivated both by the positive changes in the Mauritian economy and its commitment to liberalisation, albeit heterodox, the International Monetary Fund (IMF) and the World Bank helped the country launch a successful recovery. The government tailored these policies to national strengths and ultimately implemented a set of heterodox economic policies.
Coordination of aid efforts

Effective coordination among donors and other external actors has heightened the impact of international assistance on development progress. There is now wide agreement that parallel funds and projects can undermine government efforts to promote progress by encouraging a sense of competition rather than highlighting collaboration and a focus on shared goals. Cases illustrate how national or sectoral strategies have provided a basis for donor coordination.

Cambodia has, in overlapping periods, received support from a range of donors, including the UN, the EU, the Asian Development Bank (ADB), the World Food Programme (WFP), the World Bank, the Swedish International Development Cooperation Agency (Sida) and several NGOs. There has always been a danger, therefore, of the country having too much of a good thing and of competition leading to disorganised development projects. Efforts have been made at the ministry level to ensure that the aid and assistance that comes from these organisations is used effectively and is coordinated (Ratcliffe, 2009). Funds have been targeted especially towards the Ministry of Education, Youth and Sports, placing the weight of international support behind a single objective. The variety of organisations involved has offered a wealth of knowledge on which to draw. While the EU, UN and ADB have provided the majority of the funds, NGOs have been able to use their expertise to ensure their effective use on the ground.

Coordinated development initiatives enable a division of labour and thus a specialisation in tasks of the actors involved. The Beninese government, donors and NGOs worked together to enthuse the national population on the importance of education. USAID offered Benin financial support, and its efforts were supported by more and more agencies during the 1990s. The NGOs offered technical support under government guidance and regulation. This coordinated strategy has borne fruit, thus encouraging further investment. The specific results have been an increased willingness of Beninese parents to send their children to school – and an improvement in female enrolment rates in particular.

In some cases, coordination has been achieved by donors channelling their assistance through sector budget support. In Rwanda, major efforts are underway to consolidate aid coordination and harmonisation, so as to help frame and make more efficient the use of external funds. In leading this coordination, the government has been very skilled at integrating vertical funds into health services and programmes to strengthen the health system. The use of an integrated approach on vertical funds on HIV/AIDS, tuberculosis, malaria and others has allowed for the reinforcement of other underfunded components of primary health care, while scaling up HIV services, for instance.
Strong national institutions facilitating international assistance

Strong government institutions facilitate the effectiveness of international assistance. They can support the coordination of assistance, tailor international prescriptions or advice to national contexts and priorities and enable effective implementation of policies. Institutions put in place by the Malawian government, for example, helped to shape the course of international assistance. During the 1990s, relations with donors were described as ‘disjointed’ and inefficient (Kumwenda and Phiri, 2009). Since then, Malawi has launched the MGDS, which lays out key national priorities and provides a framework to which international assistance must be linked, thus directing it to the needs of the Malawian people. As one key informant from the government emphasised, ‘No donor in Malawi can talk about a programme or project without someone linking it with the MGDS.’ Meanwhile, Costa Rica’s ability to collect and effectively administer financial resources from international sources has been supported by the institutional reform and strengthening that established a decentralised organisation (and contributed to improved forest governance).

New partnerships between the government and international organisations supporting institution building have in turn improved the effectiveness of international assistance. The Uganda case study shows clearly how institutional reforms and more effective aid instruments can be mutually reinforcing. As noted earlier, Uganda has made major strides in improving the quality and capacity of its national and local systems of water service delivery. The capacity of government institutions to formulate policies and develop strategies, as well as to plan, budget, exercise financial control and undertake technical supervision, monitoring and performance measurement, has increased significantly. Aid has supported this institution building, which has in turn facilitated the effectiveness of further international funds channelled into the water sector.

Political will and strong institutions have given confidence to external actors to provide assistance. One of the reasons for Vietnam’s success in attracting FDI has been the high quality of its human capital. International organisations have recognised, through significant official development assistance, Vietnam’s political dynamics13 and subsequent development policies as strong indictors of its commitment to development.

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13. The government’s pre-1990 investment in education and health, a legacy of its strong communist commitment to human capital, strengthened the country’s social contract.
This report showcases some of the most impressive as well as some of the more unrecognised progress stories of the developing world. While these stories are not intended to document comprehensively the progress that has taken place across the developing world in recent decades, they do challenge fatalistic notions that certain regions or countries are somehow ‘hopeless’ or destined to stagnate. Much of the progress documented arose out of challenging circumstances, demonstrating that, with the right mix of leadership, policies, institutional capacity and support, significant results can be achieved over short periods of time. However, with progress come challenges and opportunities. Development progress is an unceasing process in which the means and the ends need continually to be improved.
In many cases, it is necessary to deepen progress to ensure its sustainability, to strengthen institutional foundations and to pay greater attention to those who are left behind. If properly addressed, these challenges can also provide opportunities for further progress.

Deepening progress

Countries covered in this report are at different stages of development. In order to sustain and further deepen progress, most countries will need to do two things: first, address the vulnerabilities that come with progress; and second, in addition to increasing access to services, pay attention to improving their quality.

Addressing vulnerabilities

Progress can lead to vulnerabilities. Economic development often leads to greater specialisation, which makes countries more vulnerable to shocks in international commodity markets. As they progress and become more integrated into the global economy, countries will need to manage these vulnerabilities and diversify their economies. They may also need to move up the value chain to maintain their advantage in increasingly competitive global markets.

For example, Malawi's economy is still heavily dependent on maize production and tobacco exports. To address this lack of diversification, the country needs to tackle gaps in its skilled labour markets through investments in human capital, and to promote a more enabling environment for private sector development. Ghana, Vietnam and Thailand have been able to move into higher value added agricultural exports. Further progress in these countries will require intensification of measures, such as greater farmer specialisation, greater use of new production technologies and the further linkage of small farmers with increasingly demanding supply chains. Mauritius will need to continue up the value chain to avoid falling into a ‘middle-income trap,’ where its human capital and technology would no longer be a competitive advantage and its labour costs would be too high to compete with low-cost producers of more basic exports. It has begun to address this through plans to become a business and financial services hub, but has yet to increase the skills level of its labour force sufficiently.

Greater attention will also need to be paid to the environmental costs often associated with progress. Growth that comes at the expense of the natural environment can undermine the wellbeing of current and future generations substantially and threaten the sustainability of growth. Environmental damage has become an increasing concern for a number of countries discussed in this report. For example, progress in Vietnam has come with significant environmental degradation; current rates of pollution and degradation of land, water and forests resources are unsustainable, and arguably endanger future development. Meanwhile, adverse effects of the intensification of agriculture have been highlighted in Thailand and Ghana. Mitigating these impacts will require a range of initiatives and national strategies beyond the scope of those this report covers. Nevertheless, important lessons can be learnt from Costa Rica and Namibia, both of which demonstrate that environmental protection and income-generating activities can be mutually reinforcing.
Increasing the quantity and quality of service provision

Significant increases in access to health and education services need to be intensified. For example, great leaps in universalising access to primary education now need to be expanded to other education levels, such as secondary. This is particularly important as studies have shown that limited availability of secondary education has negative effects on economic growth as well as on uptake of primary education. Cambodia is already moving in the right direction on this front. At the same time, progress in child health and immunisation needs to be matched by similar improvements in maternal health (Bangladesh) and nutrition (Rwanda and Eritrea).

Besides social services, there is also a need to continue investing in infrastructure, technology and services for productive sectors, so as to ensure they do not become a bottleneck to economic transformation. In Malawi, weak infrastructure is among the most significant barriers to diversification and long-run economic development – transport costs account for up to 50% of the costs of production in some export sectors. In Ghana, sustainable agricultural productivity growth requires more efficient use of existing resources. The challenge for government is to overcome market failures that deter investment and the use of external inputs and irrigation, and to increase farmers’ skills and access to better techniques. In Thailand, public investment in improved agricultural technologies has been instrumental in driving productivity gains in recent decades (Fan et al., 2004), yet spending on agricultural research has stagnated, and even declined relative to agricultural GDP. This indicates that the Thai government may need to reassess its priorities.

Alongside increasing access to services, there is the remaining challenge of improving the quality of service provision. In the short term, there is often a trade-off between quantity and quality, given constrained financial and human resources. In many low-income countries that have rapidly expanded access to services, quality has suffered. For example, in Eritrea and Rwanda, quality of health services is hampered by a lack of skilled health personnel, in addition to bed and equipment shortages. In the education studies, teaching quality and levels of pupil attainment remain the most significant obstacles to the establishment of more effective education systems.

Increasing the quality of services requires long-term, sustained commitment. It takes time to improve institutional capacity and train adequate numbers of doctors and teachers. Nonetheless, there are short-term measures governments can take to address these constraints. Different ways of using teachers and community health workers in Rwanda and Eritrea are examples of innovative steps to address gaps in capacity. In the meantime, it is essential to safeguard progress already achieved and maintain (or increase) levels of investment. In Cambodia, Burkina Faso and Uganda, insufficient and uncertain budget funding threatens future progress in the respective sectors, particularly in Uganda, where a shift in government expenditure has seen the imposition of expenditure ceilings.
Bridging the gap

Although many countries have made great strides in terms of bridging income and opportunity gaps, much remains to be done. Disparities in income and access to services represent significant challenges to future progress. Rising inequality not only reduces welfare but also undermines progress in multiple spheres through increasing social, financial and political instability. Rising inequality can trigger a vicious cycle where policy decisions reflect unequal constituencies and in turn widen inequalities that heighten social tensions. Such widening disparities also shorten the time horizons of policymakers, encouraging short-sighted policies, as well as policies with a bias in the distribution of social spending.

Keeping income inequality in check while maintaining high growth rates remains a challenge. In Vietnam, despite a legacy of equitable investments in education and health in the pre-reform era, and subsequent egalitarian land distribution, recent progress has been unequal, with the Gini coefficient rising from 33 in 1993 to 43 in 2008. India and South Africa also face particular challenges in reducing high levels of income inequality while maintaining strong growth rates. As the studies document, both countries have taken important steps in this regard, by implementing social protection programmes. However, the case of South Africa shows that, all else being equal, transfers have to be of a sufficient magnitude if they are to mitigate the effects of increasing inequality. More broadly, as the case of India demonstrates, social protection programmes need to be designed appropriately if they are to ensure that rapid economic growth is converted effectively into poverty reduction.

Across the case studies as a whole, regional and rural/urban disparities represent particularly large challenges. Citizens residing in rural, remote or minority areas are far more likely to suffer from poverty, lower incomes and reduced access to services. In Egypt, for example, the fact that rural poverty has increased, despite sustained increases in agricultural productivity, is reflected in regional disparities. Poor households are concentrated for the most part in Upper Egypt, which contains 60% of poor people and 80% of the extreme poor. Regional disparities are also present in the other economic progress case study countries of Ghana, Thailand, Vietnam and Malawi. Disparities also exist within service provision. While low-income sections of the population are less likely to have access to essential services, there are large regional disparities in the education and the water and sanitation cases. For example, in Uganda, access to rural sanitation ranges from as low as 12% in Kaabong district in the northeast to over 90% in Kabale district in the southwest.14

Gender inequalities also remain a significant issue in a number of the case studies, with women and girls facing discrimination and unequal access to services. For example, enrolment figures for female education have improved substantially across the education case studies, yet figures are almost uniformly lower than those for boys. Despite impressive progress in Somaliland, deeply entrenched social norms result in limited opportunities for female political participation. In India, cultural biases significantly undermine women’s access to the MGNREGA public works scheme.

14 Regional disparities in economic progress are, of course, partly reflective of the fact that such regions are situated away from the centres of economic activity. The most rapid growth in a country is naturally concentrated in dynamic areas with favourable access to factors of production and good transport links. However, governments have the means to expand prosperity to comparatively deprived areas by tackling specific market failures and targeting investments, and more broadly by increasing equality of opportunity through improving education and health outcomes in deprived areas.
However, the cases demonstrate that governments can address inequalities if they have sufficient will and resources alongside the correct policy instruments. For example, Mauritius and Brazil have experienced strong economic growth with declining inequality (although note that Brazil had very high initial levels of inequality), achieved by means of implementing large-scale social security and cash transfer programmes. Brazil illustrates that such programmes, alongside other policies and over a sustained period of time, can address structural drivers of inequality. The Brazilian Bolsa Família was responsible for 21% of the total fall in the Gini coefficient between 1995 and 2004 (Soares et al., 2007). The cases also illustrate how concerted government action can provide more equal access to public services. In Rwanda, for example, the proportion of deliveries assisted by skilled health personnel in rural areas compared with in urban areas in only two years doubled as a result of sustained investment. Both Benin and Bangladesh demonstrate that concerted action can lead to rapid reductions in gender inequality. At the beginning of the 1990s, Benin had the world’s second-lowest primary net enrolment ratio gender parity index, at 0.54. Less than one-third of girls were attending primary school. And yet girls’ enrolment in Benin reached 105% in 2008/09 (114% for boys).

**Strengthening the foundations**

**Skills and capacities of officials in institutions need to be strengthened.** Building institutional capacity is a long-term process, but lack of such capacity is often an impediment to the successful implementation of new policies. For example, in India and Brazil, there are wide variations between local governments in the delivery of social welfare programmes, owing to limited administrative skills; in Indonesia, capacity constraints have hampered the Parliament’s effectiveness in carrying out its new responsibilities in the budget process. More generally, decentralisation has been undermined in many of the case study countries when central ministries have devolved administrative responsibilities without ensuring sufficient administrative capacity or accountability at lower levels. However, with commitment, large improvements can be made quickly, as in Rwanda, El Salvador and Burkina Faso.

**Attempting to accomplish too much too soon can undermine institutional development.** Reform efforts should be commensurate with a country’s capacity. In the education sector of Benin, efforts to carry out a comprehensive overhaul of the curriculum and teaching methods at the same time as reforming the central ministry, both within an extremely short time period, arguably exacerbated existing constraints and stalled the reform process.

**While the pace of reform should move forward according to the degree of institutional capacity, it is important that executive ministries follow through with reform programmes.** In many countries, efforts to decentralise stall because of political constraints. This leads to incomplete processes of de-concentration, in which responsibilities are dispersed to lower-level agencies while the government retains political authority and control. Incomplete de-concentration is less likely to improve participation and service delivery. In Cambodia for example, the initiation of elections for local commune councils in 2002 created spaces for participation that were not available previously, and there have been reports of local
people engaging enthusiastically in the new structures. However, the councils have not yet been fully effective, given implementation problems and underlying tensions in the post-genocide state formation process. Delegation of the decision making and financial autonomy implicit in democratic decentralisation has been limited, although reform moves on apace. Moreover, kinship ties and patronage networks have traditionally formed the basis of state–society relations, leaving a group of people whose relationship with the state is non-existent.

Continuity and sustained progress can also be challenged by a change in leadership, especially if power is highly centralised or leaders have been a central part of the reform process. In Benin, there is widespread concern over an increasing politicisation of the education system and a lack of stability and policy continuity owing to frequent ministerial reshuffles. Following Tol Lah’s death in Cambodia, there has been a notable absence of top-level support to further advancing pro-poor education reforms. It is important that progress continues in the absence of transformational leaders. In Ghana and Mauritius, effective polices have been sustained over extended periods through extensive consultation with the population, building more widespread ownership of policy adjustments. In South Africa, the sustainability of reforms was ensured by integrating the right to social protection in the Constitution.

Although ruling elites, especially in one-party states, can be highly effective in driving change, they can become subject to patrimonial tendencies in which formal state institutions are undermined in favour of patronage forms of governance. This has been highlighted as a particularly salient issue in Uganda. The danger here is that state resources are diverted through unofficial networks to political allies and supporters and to suppress opposition, neglecting other crucial state functions and services. In order to ensure that progress is not derailed, it is important to build effective accountability mechanisms tied to widely shared goals.

Managing partners

Much of the progress observed across the case studies has involved international assistance. International aid has been a key driver of progress across the sectors of health, education and water and sanitation, mostly in low-income countries with comparatively limited means of generating revenue from alternative sources. In the short to medium term, further progress in these sectors will rely on stable and/or increasing international financial assistance. Bangladesh relies on assistance to fund 25% of its health budget, and a similar proportion of Eritrea’s GDP is made up of foreign aid. In Ethiopia, increases in aid to education will be needed to ensure the country can reach its education goals.

However, domestic pressures in donor countries mean there is a risk that assistance will be scaled back, which may undermine future progress in a number of cases. Sustained commitment by the international community will be critical to solidifying and expanding on progress made. At the same time, developing countries will need to avoid becoming over-reliant on aid and put in place domestic revenue-generating reforms, such as expansion of the tax base and promotion of private sector development.
In an environment of ever-tighter donor budgets, it will also be important that aid be used as effectively as possible. The stories demonstrate the powerful effects of aid that is supportive of national priorities and where governments have taken a proactive role in directing, coordinating and allocating expenditure. Sustained progress therefore requires that future donor engagement reflects government-owned visions and, when possible, avoids the use of parallel systems. A number of progress cases demonstrate how this can be done.

Adapting to new realities

Countries face challenges presented by factors beyond the immediate control of their governments, such as demographic and environmental changes. Climate change leads to more extreme weather patterns, which may significantly undermine progress in many areas. Experts predict that tropical cyclones will become more intense in warmer climates, while droughts have grown longer and more brutal in semi-arid parts of Africa. More specifically, climate change poses threats to agriculture, where the production of strategically important crops may become unviable. It is also a particular threat to vulnerable low-lying areas such as Bangladesh and small island states such as Mauritius. In the latter, serious coastal erosion is already evident, and sea levels are projected to rise between 0.13m and 0.56m by 2090. Mitigating climate change is a collective problem, but future outcomes will be determined by how individual countries are currently exploiting their natural resources. This means an urgent need for innovative, sustainable national development strategies.

Growing populations and other demographic changes also pose significant challenges. High population growth increases pressure on natural resources, but it also puts significant strains on service provision. In Benin, high fertility rates mean the education system needs to keep growing at a rapid pace (according to some estimates, 10 classrooms need to be built each day just to maintain current rates of enrolment). In the short term, governments need to meet the demands of increasing populations, but they can also simultaneously address high fertility rates through education and increased supplies of contraceptives, as in Bangladesh. Pressures from an ageing population and rising urbanisation present new challenges for governments, donors and service providers – highlighting a need to focus on new development issues more common in middle-income countries, such as non-communicable diseases. All these issues require new approaches to ensure that progress can be sustained.

Lastly, governments across the world will be forced to deal with new political realities. The diffusion of new ICT means citizens are more informed than ever, influencing what they expect from government in terms of performance and service delivery, both increasing and facilitating demand for change. Recent unrest in the Middle East and North Africa demonstrates that developments such as urbanisation and ICT can expedite collective action among citizens. In conjunction with rapidly growing youth populations, this means that governments that neglect grievances over issues such as poverty, ineffective governance, corruption, lack of political voice and unemployment do so at their peril. The challenge for all progressing nations will be to turn these new realities into opportunities rather than threats.
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This report was prepared by a core team led by Liesbet Steer and comprising Jakob Engel, Alasdair McWilliam and Milo Vandemoortele. Matt Hawkins provided invaluable research support. Alison Evans, Director of ODI, provided project oversight.

This report is based on the Progress in Development: A Library of Stories project (www.developmentprogress.org), funded by the Bill & Melinda Gates Foundation. The findings and conclusions contained within are those of the authors and do not necessarily reflect positions or policies of the Bill & Melinda Gates Foundation.

The core team would like to thank the authors of the progress stories that were the basis for this report. The authors would also like to acknowledge comments on earlier drafts from the project’s external review panel members, including Nisha Agrawal, Paul Isenman, Frannie Leautier, Oliver Babson, Kevin Watkins and Alan Winters, as well as ODI colleagues Dan Harris, Anna McCord, Peter Newborne and Andrew Shepherd. Thank you to Roo Griffiths for her editorial support. All comments should be directed to Liesbet Steer (l.steer.ra@odi.org.uk).

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